

*In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming continuing compliance subsequent to issuance of the Bonds with the tax covenants described herein, interest on the Bonds (except for interest accruing on any Bond for any period during which the Bond is held by a "substantial user" of any of the facilities financed or refinanced with the proceeds of the Bonds or by a "related person," as such terms are defined in Section 103(b)(13) of the Internal Revenue Code of 1954, as amended (the "1954 Code")), is excluded pursuant to Title XIII of the Tax Reform Act of 1986 and Section 103 of the 1954 Code from the gross income of the owners thereof for federal income tax purposes, and the Bonds are not "specified private activity bonds" and, therefore, the interest on the Bonds is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "1986 Code"), for purposes of the federal alternative minimum tax. See, however, "TAX MATTERS" herein regarding certain other tax considerations.*

**\$10,910,000**  
**County of San Bernardino**  
**Variable Rate Demand Multifamily Housing**  
**Mortgage Revenue Refunding Bonds,**  
**2004 Series A**  
**(Mountain View Apartments)**

KUTAK ROCK LLP  
DRAFT 04/27/2004

**Dated: Date of Delivery**

**Price: 100%**

**CUSIP: \_\_\_\_\_**

**Due: February 15, 2027**

The above-captioned bonds (the "Bonds") are issued under and pursuant to a Trust Indenture dated as of May 1, 2004 (the "Indenture") by and between the County of San Bernardino (the "Issuer") and BNY Western Trust Company, as trustee (the "Trustee"). The proceeds of the Bonds will be loaned (the "Loan") to WLP Mountain View Apartments, LLC, a Delaware limited liability company (the "Borrower"), pursuant to a Financing Agreement, dated as of the date of the Indenture (the "Financing Agreement"), by and among the Issuer, the Trustee and the Borrower. The proceeds of the Loan will be applied to the current redemption in whole of the outstanding aggregate principal amount of the Issuer's prior bonds identified herein (the "Prior Bonds"). The Prior Bonds were issued to provide funds to refund the Issuer's 1991 Bonds identified herein (the "1991 Bonds"), which 1991 Bonds were issued to provide funds to refund the Issuer's 1983 Bonds identified herein (the "1983 Bonds"), which 1983 Bonds were issued to provide permanent financing for a multifamily rental housing project located in the County of San Bernardino, California known as Mountain View Apartments (the "Project").

The Bonds will bear interest at the Weekly Variable Rate to be determined on a weekly basis as described herein. Interest on the Bonds will be payable on the fifteenth day of each month, commencing June 15, 2004. Subject to satisfaction of certain conditions in the Indenture, the Bonds may be adjusted to one of the other interest rate Modes permitted by the Indenture (other permitted Modes being the Reset Rate and the Fixed Rate). If the Bonds are proposed to be adjusted to one of the other Modes, the Bonds will be subject to mandatory tender for purchase and the Bondholders will not have the right to retain their Bonds. See "THE BONDS—Mandatory Tender" herein.

Payment of the principal of and interest on the Bonds will be secured, to the extent described herein, by the Loan and by certain other resources and assets constituting the trust estate under the Indenture, all as described herein. In addition, credit enhancement and liquidity support for the Bonds will be provided by



pursuant to and subject to the limitations of, a Direct Pay Irrevocable Transferable Credit Enhancement Instrument dated the Closing Date (the "Credit Facility"). The Credit Facility may be replaced by an Alternate Credit Facility at the option of the Borrower, which replacement will cause a mandatory tender of the Bonds. See "THE BONDS—Mandatory Tender" herein.

The Bonds are outstanding as fully registered bonds, without coupons, in the denomination of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry only form. DTC will act as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical delivery of Bonds. So long as DTC is the registered owner of the Bonds, payments of principal of, premium, if any, and interest on the Bonds and the payment of the purchase price of tendered Bonds will be made by the Trustee directly to DTC or its nominee, Cede & Co. DTC will remit such payments to the applicable DTC Participants. The disbursements of such payments will be made by DTC participants to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry Only" herein.

So long as the Bonds bear interest at a Weekly Variable Rate, the registered owners of the Bonds will have the right, upon seven days' written notice, to tender their Bonds for purchase to BNY Western Trust Company, as tender agent, on any Business Day. The Bonds are also subject to mandatory tender and purchase on each Adjustment Date, each proposed Adjustment Date, upon replacement of the Credit Facility with an Alternate Credit Facility and under certain other circumstances described herein. See "THE BONDS—Optional Tender" and "—Mandatory Tender" herein. The Bonds are subject to special mandatory redemption and optional redemption prior to maturity as described herein. See "THE BONDS—Redemption Provisions" herein.

**THE BONDS ARE NOT AND WILL NEVER BECOME GENERAL OBLIGATIONS OF THE ISSUER BUT ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON DO NOT AND NEVER SHALL CONSTITUTE A DEBT OR AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OR A LOAN OF THE FAITH OR CREDIT OR THE TAXING POWER OF ANY OF THEM, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, NOR SHALL THE BONDS BE CONSTRUED TO CREATE ANY MORAL OBLIGATION ON THE PART OF THE ISSUER OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE WITH RESPECT TO THE PAYMENT OF THE BONDS. THE BONDS SHALL NOT BE PAYABLE FROM THE GENERAL REVENUES OF THE ISSUER, AND NEITHER THE ISSUER NOR THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THEREFOR.**

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered when, as and if issued and received by the Underwriter subject to the approval of certain legal matters by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, described herein. Certain legal matters will be passed on for Fannie Mae by its Legal Department and by its special counsel, O'Melveny & Myers LLP; for the Borrower by its General Counsel; and for the Underwriter by Kutak Rock LLP. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about May 26, 2004.*

**HUTCHINSON, SHOCKEY, ERLEY & CO.**



Dated: May \_\_\_, 2004

01-551775.3

No dealer, broker, salesman or other person has been authorized by the Issuer, the Borrower, Fannie Mae or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information in this Official Statement has been obtained from the Issuer, the Borrower, Fannie Mae (to the limited extent noted below) and DTC and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter, the Issuer, except with respect to the description under the captions “THE ISSUER” and “NO LITIGATION—The Issuer,” or Fannie Mae, except with respect to the description under the caption “FANNIE MAE.” In particular, the Issuer has not provided or approved any information in this Official Statement except with respect to the information under the captions “THE ISSUER” and “NO LITIGATION—The Issuer,” and takes no responsibility for any other information contained in this Official Statement.

Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description under the caption “FANNIE MAE,” takes no responsibility for any other information contained in this Official Statement, and makes no representation as to the contents of this Official Statement (other than with respect to the description under the caption “FANNIE MAE”). Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae’s role with respect to the Loan and the Bonds is limited to providing the Credit Facility to the Trustee.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the information referenced herein since the date hereof.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

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## OFFICIAL STATEMENT

relating to

**\$10,910,000**

**County of San Bernardino  
Variable Rate Demand Multifamily Housing  
Mortgage Revenue Refunding Bonds,  
2004 Series A  
(Mountain View Apartments)**

### INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, which includes the cover page and Exhibits hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Exhibits hereto, must be considered in its entirety. Certain capitalized terms used in this Official Statement are defined herein and in the Exhibits hereto. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement, the Note and the Credit Facility (as each such term is hereinafter defined).

The purpose of this Official Statement is to set forth certain information relating to the above-captioned Bonds (the “Bonds”) issued by the County of San Bernardino (the “Issuer”) pursuant to a Trust Indenture dated as of May 1, 2004 (the “Indenture”) by and between the Issuer and BNY Western Trust Company, as trustee (the “Trustee”). The proceeds of the Bonds will be loaned (the “Loan”) to WLP Mountain View Apartments, LLC, a Delaware limited liability company (the “Borrower”) pursuant to a Financing Agreement, dated as of the date of the Indenture (the “Financing Agreement”), by and among the Issuer, the Trustee and the Borrower. The proceeds of the Loan will be applied to the current redemption in whole of the outstanding aggregate principal amount of the Issuer’s Variable Rate Demand Multifamily Housing Mortgage Revenue Refunding Bonds, 1997 Series A (Mountain View Apartments) (the “Prior Bonds”). The Prior Bonds were issued to provide funds to refund the Issuer’s Multifamily Housing Revenue Refunding Bonds, 1991 Series A (Redlands Federal Bank Program) (the “1991 Bonds”), which 1991 Bonds were issued to provide funds to refund the Issuer’s Multifamily Rental Housing Revenue Bonds, Issue A of 1983 (Redlands Federal Savings and Loan Association Certificate of Deposit Bank Program) (the “1983 Bonds”), which 1983 Bonds were issued to provide permanent financing for a multifamily rental housing project located in the County of San Bernardino, California known as Mountain View Apartments (the “Project”). See “THE BORROWER AND THE PROJECT” herein.

Payment of the principal of and interest on the Bonds will be secured, to the extent described herein, by the Loan and by certain other resources and assets constituting the trust estate under the Indenture, all as described herein. In addition, credit enhancement and liquidity support for the Bonds will be provided by Fannie Mae (“Fannie Mae” or the “Credit Provider”) pursuant to and subject to the limitations of, a Direct Pay Irrevocable Transferable Credit Enhancement Instrument dated the Closing Date (the “Credit Facility”). See Exhibit G hereto. The obligation of the Borrower to reimburse Fannie Mae for any funds provided by Fannie Mae under the Credit Facility will be set forth in a Reimbursement Agreement, dated as of the date of the Indenture (the “Reimbursement Agreement”), between the Borrower and Fannie Mae. See Exhibit E hereto. The Credit Facility may be replaced by an Alternate

Credit Facility at the option of the Borrower, which replacement will cause a mandatory tender of the Bonds. See “THE BONDS—Mandatory Tender” herein.

The Loan will be evidenced by a Multifamily Note (the “Note”) executed by the Borrower in favor of the Issuer and secured by a first lien priority Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing encumbering the Project (the “Security Instrument”). The Note is a nonrecourse obligation of the Borrower subject to certain limited exceptions. See Exhibit F hereto. Payments on the Loan will be made by the Borrower to Capri Capital Finance, LLC, a Delaware limited liability company (the “Loan Servicer”), as the servicer of the Loan. The principal amount and payment provisions of the Note have been established and structured so that (a) the aggregate principal amount of the Note will equal the aggregate principal amount of Outstanding Bonds and (b) the interest payable on the Note will not be less than the interest payable on the Outstanding Bonds. The payments required to be made by the Borrower under the Note, if timely made by the Borrower, are intended to be sufficient in amount to pay, when due, the principal of and interest on the Outstanding Bonds.

On the Closing Date, the Issuer will, pursuant to an Assignment and Intercreditor Agreement, dated as of the date of the Indenture (the “Assignment”), among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, assign the Loan, the Note and the Security Instrument, without recourse, to the Trustee and Fannie Mae, as their interests may appear. Upon such assignment, the Loan will be part of the Trust Estate.

On the Effective Date, the Borrower expects to receive a subordinate loan (the “Subordinate Loan”) from the Loan Servicer in the approximate amount of \$11,000,000 to provide additional financing for the Project. The Subordinate Loan will be immediately sold to Fannie Mae. A default with respect to the Subordinate Loan can be treated as a default under the Reimbursement Agreement, giving Fannie Mae the right to direct a mandatory redemption of the Bonds. See “THE BONDS—Redemption Provisions—Mandatory Redemption” and Exhibit E hereto.

In order to assure compliance with the applicable provisions of the Code, the Issuer, the Trustee and the Borrower have executed a Second Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1997, by and among the Issuer, the Trustee and Western Land Properties, a California limited partnership (the “Prior Borrower”), (the “Original Regulatory Agreement”), as amended by the Amendment to Second Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture, by and among the Issuer, the Trustee and the Borrower (together with the Original Regulatory Agreement, the “Regulatory Agreement”), pursuant to which the Project is required to be operated in accordance with the requirements and restrictions mandated by the Code, the regulations thereunder. In connection with the issuance of the Bonds, the Borrower assumed the obligations of the Prior Borrower under the Original Regulatory Agreement. See Exhibit D attached hereto.

**THE BONDS ARE NOT AND WILL NEVER BECOME GENERAL OBLIGATIONS OF THE ISSUER BUT ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON DO NOT AND NEVER SHALL CONSTITUTE A DEBT OR AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OR A LOAN OF THE FAITH OR CREDIT OR THE TAXING POWER OF ANY OF THEM, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, NOR SHALL THE BONDS BE CONSTRUED TO CREATE ANY MORAL OBLIGATION ON THE PART OF THE ISSUER OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL**

**CORPORATION OR SUBDIVISION OF THE STATE WITH RESPECT TO THE PAYMENT OF THE BONDS. THE BONDS SHALL NOT BE PAYABLE FROM THE GENERAL REVENUES OF THE ISSUER, AND NEITHER THE ISSUER NOR THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THEREFOR.**

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Summaries of the Indenture, the Financing Agreement, the Regulatory Agreement, the Reimbursement Agreement and the Note are attached as exhibits to this Official Statement. The proposed form of the Credit Facility is attached as an exhibit to this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Credit Facility, the Reimbursement Agreement and the Note and all other documents and agreements are qualified in their entirety by reference to such documents and agreements, and all references to the Bonds are qualified by reference to the form thereof included in the Indenture, copies of which are available for inspection at the corporate trust office of BNY Western Trust Company, 700 South Flower Street, Suite 500, Los Angeles, California 90017-4104, Attention: Corporate Trust Department.

#### **THE ISSUER**

*The following information has been provided by the Issuer for use herein. While the information is believed to be reliable, none of the Trustee, the Borrower, the Underwriter, the Remarketing Agent, the Credit Provider, the Loan Servicer nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.*

The Issuer is a political subdivision of the State of California. Under the Act, the Issuer is empowered to issue revenue bonds for the purpose, among others, of refunding bonds previously issued by it to finance multifamily rental housing projects.

**THE BONDS ARE NOT AND WILL NEVER BECOME GENERAL OBLIGATIONS OF THE ISSUER BUT ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON DO NOT AND NEVER SHALL CONSTITUTE A DEBT OR AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OR A LOAN OF THE FAITH OR CREDIT OR THE TAXING POWER OF ANY OF THEM, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, NOR SHALL THE BONDS BE CONSTRUED TO CREATE ANY MORAL OBLIGATION ON THE PART OF THE ISSUER OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE WITH RESPECT TO THE PAYMENT OF THE BONDS. THE BONDS SHALL NOT BE PAYABLE FROM THE GENERAL**

**REVENUES OF THE ISSUER, AND NEITHER THE ISSUER NOR THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THEREFOR.**

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General**

To secure the payment of the principal of and interest and any premium on, and the purchase price of, the Bonds according to their tenor and effect, to secure, on a parity basis, all obligations owed to the Credit Provider under the Credit Facility Documents and the Loan Documents and to secure the performance and observance by the Issuer of the covenants expressed or implied in the Indenture and in the Bonds, the Issuer has absolutely and irrevocably pledged and assigned the property described in the following paragraphs (a) through (e) to the Trustee for the benefit of the Bondholders and to the Credit Provider, as their interests may appear, subject to the Assignment and the provisions of the Indenture permitting the application of such property for the purposes set forth in the Indenture:

(a) all right, title and interest of the Issuer in and to the Loan, including the Note, the Security Instrument and the other Loan Documents and in and to the Financing Agreement, reserving, however, the Reserved Rights;

(b) all rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;

(c) all right, title and interest of the Issuer in and to the Revenues, the Net Bond Proceeds and the accrued interest, if any, derived from the sale of the Bonds, and all Funds and Accounts under the Indenture (including, without limitation, moneys, documents, securities, investments, Investment Income, instruments and general intangibles on deposit or otherwise held by the Trustee) but excluding all moneys in the Fees Account, the Rebate Fund and the Costs of Issuance Fund (including within such exclusion Investment Income retained in the Costs of Issuance Fund and the Rebate Fund);

(d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind to the Trustee as additional security under the Indenture for the benefit of the Bondholders and the Credit Provider; and

(e) all of the proceeds of the foregoing, including, without limitation, Investments and Investment Income (except as excluded above).

### **Credit Facility**

In addition to the other security provided under the Indenture, the Credit Facility provides credit enhancement and liquidity support for the Bonds. The proposed form of the Credit Facility is attached to this Official Statement as Exhibit G.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT FACILITY. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER OWNED CORPORATION, AND WILL NOT BE BACKED BY THE

FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Information regarding the Credit Provider is contained herein under the caption “FANNIE MAE.”

Upon replacement or termination of the Credit Facility, the Bonds will be subject to mandatory tender as described below under the caption “THE BONDS—Mandatory Tender.”

### **Limited Liability**

**THE BONDS ARE NOT AND WILL NEVER BECOME GENERAL OBLIGATIONS OF THE ISSUER BUT ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON DO NOT AND NEVER SHALL CONSTITUTE A DEBT OR AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR THE STATE OF CALIFORNIA (THE “STATE”) OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OR A LOAN OF THE FAITH OR CREDIT OR THE TAXING POWER OF ANY OF THEM, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, NOR SHALL THE BONDS BE CONSTRUED TO CREATE ANY MORAL OBLIGATION ON THE PART OF THE ISSUER OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE WITH RESPECT TO THE PAYMENT OF THE BONDS. THE BONDS SHALL NOT BE PAYABLE FROM THE GENERAL REVENUES OF THE ISSUER, AND NEITHER THE ISSUER NOR THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THEREFOR.**

### **SOURCES AND USES OF FUNDS**

The sources and uses of proceeds from the sale of the Bonds and other sources are estimated to be as follows:

#### **Sources of Funds:**

|                           |                             |
|---------------------------|-----------------------------|
| Bond Proceeds             | \$                          |
| Subordinate Loan Proceeds |                             |
| Borrower Funds            |                             |
| <b>Total</b>              | <b>\$</b> <u>          </u> |

#### **Uses of Funds:**

|                                       |                             |
|---------------------------------------|-----------------------------|
| Deposit to Loan Fund                  | \$                          |
| Bond Costs of Issuance and Loan Costs |                             |
| Other Project Costs and Loan Reserves |                             |
| <b>Total</b>                          | <b>\$</b> <u>          </u> |



## **CERTAIN BONDHOLDERS' RISKS**

The purchase of the Bonds will involve a number of risks. The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.

### **No Personal Liability of Borrower**

Subject to various exceptions to nonrecourse liability for the benefit of Fannie Mae and the Issuer and the payment of the rebate amount, the Borrower will not be liable for payments on the Loan or under the other documents executed in connection with the issuance of the Bonds and the making of the Loan. All payments on the Loan are expected to be derived from revenues generated by the Project.

### **Limited Liability**

**THE BONDS ARE NOT AND WILL NEVER BECOME GENERAL OBLIGATIONS OF THE ISSUER BUT ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE TRUST ESTATE. THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON DO NOT AND NEVER SHALL CONSTITUTE A DEBT OR AN INDEBTEDNESS OR AN OBLIGATION OF THE ISSUER OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OR A LOAN OF THE FAITH OR CREDIT OR THE TAXING POWER OF ANY OF THEM, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS, NOR SHALL THE BONDS BE CONSTRUED TO CREATE ANY MORAL OBLIGATION ON THE PART OF THE ISSUER OR ANY COUNTY, CITY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE WITH RESPECT TO THE PAYMENT OF THE BONDS. THE BONDS SHALL NOT BE PAYABLE FROM THE GENERAL REVENUES OF THE ISSUER, AND NEITHER THE ISSUER NOR THE STATE NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF WILL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THEREFOR.**

### **Early Redemption or Mandatory Tender**

Purchasers of Bonds should consider the fact that the Bonds are subject to redemption and mandatory tender at a redemption price equal to their principal amount plus accrued interest in the event such Bonds are redeemed prior to maturity or otherwise upon a Mandatory Tender Date. This could occur, for example, in the event that the Loan is prepaid as a result of a casualty or condemnation affecting the Project or if there is a default under the Loan. See "THE BONDS—Redemption Provisions—Mandatory Redemption."

### **Economic Feasibility**

The economic feasibility of the Project depends in large part upon its being substantially occupied at projected rent levels. There can be no assurance that in the future the Borrower will be able to rent units in the Project at rental rates which will enable it to make timely payments on the Loan.

### **Competing Facilities**

The Issuer, the Borrower, and persons who may or may not be affiliated with the Issuer or the Borrower may own, finance, develop, construct, and operate other facilities in the area of the Project that

could compete with the Project. Any competing facilities, if so constructed, could adversely affect occupancy and revenues of the Project.

### **Enforceability and Bankruptcy**

The remedies available to the Trustee and the holders of the Bonds upon an event of default under the Financing Agreement, the Credit Facility, or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided under the aforesaid documents may not readily be available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the aforesaid documents will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **Risks Related to Default by Borrower Under the Subordinate Loan**

On the Effective Date, the Borrower expects to receive the Subordinate Loan from the Loan Servicer to provide additional financing for the Project. The Subordinate Loan will bear interest at a rate of \_\_\_\_% per annum, mature in six years and amortize over the remaining term.

The Reimbursement Agreement provides that a default by the Borrower under and pursuant to the Subordinate Loan could result, at the option of Fannie Mae, in the acceleration of the indebtedness evidenced by the Bonds which would cause such Bonds to be subject to early call for redemption or purchase, without any right to retain such Bonds. See “THE BONDS—Redemption Provisions—Mandatory Redemption” and Exhibit E hereto.

## **THE BONDS**

### **General**

The Bonds are dated and will mature on, respectively, the dated date and maturity date set forth on the cover hereof. Interest on the Bonds will be payable to the Registered Owner thereof, as of the close of business on the Record Date, in accordance with the terms set forth in the Indenture, on each Interest Payment Date. Interest on the Bonds during the Weekly Variable Rate Period will be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. The rate on the Bonds on the Closing Date, which will be effective from the Closing Date to and including the following Wednesday, will be determined by the Underwriter on or prior to the Closing Date. Thereafter, the interest rate on the Bonds will be determined by the Remarketing Agent, not later than 4:00 p.m., Eastern time, on the applicable Rate Determination Date and, for any given Week, will be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds on the applicable Rate Determination Date at par plus accrued interest on the Bonds, but not in excess of the Maximum Rate (the “Weekly Variable Rate”); the Weekly Variable Rate so determined will be effective for the week for which such rate is determined. The Remarketing Agent will provide notice of each Weekly Variable Rate before 5:00 p.m., Eastern time, on the Rate Determination Date by telephone to any Beneficial Owner upon request and to the Trustee and to the Loan Servicer, and not later than the next Business Day, by Electronic Means, to the Remarketing Notice Parties. The Weekly Variable Rate so determined by the Remarketing Agent will be conclusive and binding on the Remarketing Notice Parties and the Registered Owners.

If, during the Weekly Variable Rate Period, the Remarketing Agent fails or refuses to determine the Weekly Variable Rate for any Week, the interest rate to be borne by the Bonds during such Week will be the latest BMA Index Rate published on or immediately before the Rate Determination Date (or, in the event the BMA Index Rate is no longer published, the last determined Weekly Variable Rate). The interest rate on the Bonds may not exceed the Maximum Rate.

### **Adjustment of the Interest Rate on the Bonds**

At the option of the Borrower, the interest rate on all Outstanding Bonds may be adjusted on any Interest Payment Date from the Weekly Variable Rate to a Reset Rate or to the Fixed Rate (the date of such adjustment is an “Adjustment Date”).

The Bonds are subject to mandatory tender and purchase on each Adjustment Date, as set forth in, and in accordance with, the Indenture, even if the conditions to the change in Mode are not satisfied. See “Mandatory Tender” below. Not later than 30 days prior to the Adjustment Date, the Trustee will give notice to Bondholders of the proposed Adjustment Date and that all Bonds are thereupon subject to mandatory tender and purchase.

### **Optional Tender**

During any Weekly Variable Rate Period, the Trustee shall purchase any Bond on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture and described under this heading, on the demand of the Beneficial Owner of such Bond. The purchase price of any Bond tendered for purchase shall be 100% of the principal amount of such Bond plus accrued interest, if any, to the date of purchase. The Beneficial Owner may demand purchase of its Bond by delivery of a Bondholder Tender Notice complying with the requirements of the Indenture described under this heading to the Tender Agent at its Designated Office on any Business Day. Any Bondholder Tender Notice received by the Tender Agent after 3:30 p.m. Eastern time on a Business Day will be treated as received at 9:00 a.m. Eastern time on the following Business Day. The date of purchase shall be the date selected by the Beneficial Owner in the Bondholder Tender Notice; provided, however, that such date is a Business Day which is at least seven days after the date of the delivery of the Bondholder Tender Notice to the Tender Agent. A Bondholder Tender Notice complies with the requirements of the Indenture if it:

- (a) is accompanied by a guaranty of signature acceptable to the Tender Agent; and
- (b) contains the CUSIP number of the Bond, the principal amount to be purchased (or portion of a Bond, provided that the retained portion is an Authorized Denomination), the name, address and tax identification number or social security number of the Beneficial Owner of the Bond demanding such payment and the purchase date.

Subject to the provisions of the Indenture described under this heading, by delivering a Bondholder Tender Notice the Beneficial Owner irrevocably agrees to deliver the Tendered Bond (with an appropriate transfer of registration form executed in blank and accompanied by a guaranty of signature satisfactory to the Tender Agent) to the Designated Office of the Tender Agent or any other address designated by the Tender Agent at or prior to 10:00 a.m. Eastern time on the date of purchase specified in the Bondholder Tender Notice. Any election by a Beneficial Owner to tender a Bond or Bonds (or portion of a Bond or Bonds) for purchase on a Business Day in accordance with the Indenture shall also be binding on any transferee of the Beneficial Owner making such election.

Bonds shall be required to be purchased pursuant to the provisions of the Indenture described under this heading only if the Bonds so delivered to the Tender Agent conform in all respects to the

description of such Bonds in the Bondholder Tender Notice. The Tender Agent shall determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements of the Indenture described under this heading and whether Bonds delivered conform in all respects to the description of the Bonds in the Bondholder Tender Notice. Such determination shall be binding on the other Remarketing Notice Parties and the Beneficial Owner of the Bonds.

If after delivery of a Bondholder Tender Notice the holder making such election fails to deliver any of the Bonds described in the Bondholder Tender Notice as required by the Indenture and as described under this heading, each untendered Bond or portion of such untendered Bond (“Untendered Bond”) described in such Bondholder Tender Notice shall be deemed to have been tendered to the Tender Agent for purchase, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, and such Untendered Bond from and after such purchase date will cease to bear interest and no longer be considered to be Outstanding. The Trustee shall promptly give notice by registered or certified first-class mail, postage prepaid, to each Beneficial Owner of any Bond which has been deemed to have been purchased pursuant to the Indenture, stating that interest on such Untendered Bond ceased to accrue from and after the date of purchase and that moneys representing the purchase price of such Untendered Bond are available against delivery of such Untendered Bond at the Designated Office of the Tender Agent.

Upon surrender of any Bond for purchase in part only, the Issuer shall execute and the Tender Agent shall authenticate and deliver to the holder of such Bond a new Bond or Bonds of the same maturity and interest rate, of Authorized Denominations, in an aggregate principal amount equal to the unpurchased portion of the Bond surrendered.

The Tender Agent shall make payment for any Tendered Bond to the Registered Owner at or before 4:00 p.m. Eastern time on the date for purchase specified in the Bondholder Tender Notice, first from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from moneys provided by the Borrower.

Notwithstanding the above, during any period that the Bonds are Book-Entry Bonds: (a) any Bondholder Tender Notice also must (i) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Bond(s) or a custodian for the Beneficial Owner referred to in the notice and (ii) if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer; (b) on or before the purchase date, the Beneficial Owner must direct (or if the Beneficial Owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Bond(s) on the records of DTC to the account of, or as directed by, the Trustee; (c) Tendered Bond(s) will be purchased without physical delivery as if such Bond(s) had been so delivered; and (d) the purchase price of such Bond(s) will be paid to DTC.

### **Mandatory Tender**

The holders of the Bonds shall be required to tender their Bonds to the Tender Agent for purchase on each Mandatory Tender Date by the Trustee acting on behalf of and as agent for the Borrower, but solely from the sources provided in the Indenture and described under this heading, at a purchase price equal to 100% of the principal amount of the Bonds plus accrued interest to the applicable Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Mandatory Tender Dates include each Adjustment Date (even if a proposed change in Mode fails to occur), each Substitution Date, each Extension Date and the date described in the following paragraph. The Trustee shall give notice of Mandatory Tender Dates as follows:

(a) Not less than 30 days before any proposed Adjustment Date, the Trustee shall give notice by first-class mail, postage prepaid, to the Bondholders stating the information required to be set forth in notices pursuant to the applicable provisions of the Indenture.

(b) Not less than 10 days before any Substitution Date, the Trustee shall give notice by first-class mail, postage prepaid, to the Bondholders stating (A) an Alternate Credit Facility will be substituted for the Credit Facility then in effect, (B) the Substitution Date, (C) that the Bonds are required to be tendered on the Substitution Date and (D) that Bondholders will not have the right to elect to retain their Bonds.

(c) Not less than 10 days before any Extension Date, if the Trustee has not received a binding commitment to extend the applicable Alternate Credit Facility, the Trustee shall give notice by first-class mail, postage prepaid, to the Bondholders stating (i) the Extension Date and that no commitment to extend the Alternate Credit Facility then in effect has been received by the Trustee, (ii) that such Bonds are required to be tendered on the Extension Date (unless an extension of the Alternate Credit Facility is received prior to the Extension Date, in which case the notice shall be rescinded) and (iii) that the Bondholders will not have the right to elect to retain such Bonds if an extension of the Alternate Credit Facility is not received.

The Bonds shall also be subject to mandatory tender upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Reimbursement Agreement has occurred and directing that the Bonds be subject to mandatory tender. Such mandatory tender will be made on the earliest practicable date, after notice of tender has been given to Bondholders and will be payable solely from the sources provided in the Indenture at a purchase price equal to 100% of the principal amount of the Bonds plus accrued interest to the Mandatory Tender Date. The Owner of any Bond may not elect to retain its Bond. Immediately upon receipt by the Trustee of such written notice from the Credit Provider, the Trustee shall give notice by first-class mail, postage prepaid, to the owners of the Bonds stating (a) that such event has occurred, (b) that the Bonds are required to be tendered on the Mandatory Tender Date specified in such notice and (c) that the Bondholders will not have the right to elect to retain their Bonds.

Any Bond which is not tendered on a Mandatory Tender Date (“Untendered Bond”) will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, shall cease to bear interest and no longer will be considered to be Outstanding. In the event of a failure by Owners to deliver Bonds on the Mandatory Tender Date, such Owners will not be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price for such Untendered Bond.

The Tender Agent shall make payment for Bonds purchased pursuant to the Indenture and described under this heading at or before 4:00 p.m. Eastern time on the Mandatory Tender Date. The Tender Agent will pay the purchase price (i) for the Bonds purchased as described under the first paragraph under this heading, first from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of a payment under the Credit Facility, and third, from moneys provided by the Borrower and (ii) from Bonds purchased as described under the second paragraph under this heading first from proceeds of a payment under the Credit Facility and second from moneys provided by the Borrower.

Following any Mandatory Tender Date, moneys deposited with the Tender Agent for the purchase of Bonds shall be transferred to the Trustee and held in trust in the Bond Purchase Fund and shall be paid to the former owners of such Bonds upon presentation of such Bonds at the Designated

Office of the Trustee. The Tender Agent shall promptly give notice by registered or “certified first class” mail, postage prepaid, to each Registered Owner of Bonds whose Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the purchase price of such Bonds are available against delivery of such Bonds at the Designated Office of the Tender Agent.

During any period that the Bonds are Book-Entry Bonds, (a) any notice delivered pursuant to the Indenture and described under this heading shall be given only to the entity designated in the Letter of Representations, as required by the Indenture and (b) it shall not be necessary for Bond(s) to be physically delivered on the date specified for purchase of such Bond(s), but such purchase shall be made as if such Bond(s) had been so delivered, and the purchase price of such Bond(s) shall be paid to DTC.

**No Sales After Wrongful Dishonor;  
No Purchase After Acceleration**

Notwithstanding anything in the Indenture to the contrary, no Bonds shall be remarketed if the Trustee has given notice to the Underwriter that a Wrongful Dishonor has occurred and is continuing. No Bonds, other than Pledged Bonds, shall be purchased if the Trustee has given notice to the Underwriter that there has occurred and is continuing an acceleration of the Bonds pursuant to the Indenture.

**Redemption Provisions**

***Optional Redemption.*** The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower on any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the Redemption Date.

The principal of and accrued interest on any Bond being redeemed under the Indenture as described under this subheading shall be paid from an Advance under the Credit Facility.

***Mandatory Redemption.*** The Bonds are subject to mandatory redemption as provided in the Indenture and described under this subheading on the earliest practicable Redemption Date for which timely notice of redemption can be given pursuant to the Indenture and described under the heading “Notice of Redemption to Registered Owners” following the occurrence of the event requiring such redemption. The principal of and accrued interest on any Bond being redeemed pursuant to the redemption and described under this subheading shall be paid from an Advance under the Credit Facility. Bonds will be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the Redemption Date without premium. Bonds subject to mandatory redemption in part will be redeemed in Authorized Denominations or will be redeemed in such amounts so that the Bonds Outstanding following the redemption are in Authorized Denominations. If the Trustee receives an amount for the mandatory redemption of Bonds which is not equal to a whole integral multiple of the Authorized Denomination, the Trustee will redeem Bonds in an amount equal to the next lowest whole integral multiple of the Authorized Denomination to the amount received by the Trustee and hold my excess amount in the Redemption Account.

(a) ***Casualty or Condemnation.*** The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property (“Proceeds”) are applied in accordance with the Security Instrument to the prepayment of the Loan.

(b) *Principal Reserve Fund.* The Bonds shall be redeemed in whole or in part on any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account pursuant to the Indenture.

(c) *After an Event of Default Under the Reimbursement Agreement.* The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the Indenture as described under this subheading (c) following any Event of Default under the Reimbursement Agreement. The Redemption Date shall be the earliest practicable date, but in no event shall such redemption occur later than two Business Days prior to the date, if any, that the Credit Facility terminates on account of the Credit Provider's giving of direction to the Trustee pursuant to the Indenture as described under this subheading (c) to redeem the Bonds.

### **Notice of Redemption to Registered Owners**

With respect to any redemption of Bonds described herein under the heading "THE BONDS—Redemption Provisions—Optional Redemption" or under paragraph (a) or (b) under the heading "THE BONDS—Redemption Provisions—Mandatory Redemption," the Trustee shall give notice of redemption by first-class mail, postage prepaid, not less than 10 days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. In the case of any redemption of Bonds described herein under subparagraph (c) under the heading "THE BONDS—Redemption Provisions—Mandatory Redemption," immediate notice of redemption will be given. In the case of an optional redemption under the Indenture, the notice of redemption shall state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds ("Conditional Redemption"), and such notice and optional redemption shall be of no effect if either (i) by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Trustee or (ii) the Trustee at the direction of the Credit Provider rescinds such notice on or prior to the scheduled redemption date. The Trustee shall cause a second notice of redemption to be sent by first-class mail, postage prepaid, on or within 10 days after the thirtieth day after the Redemption Date to any Bondholder who has not submitted its Bond to the Trustee for payment. The Trustee will provide copies of all notices given under this provision and of all revocations of notices to the Credit Provider, the Remarketing Agent and the Loan Servicer at the same time it gives notices to Bondholders.

At the same time notice of redemption is sent to the Registered Owners, the Trustee shall send notice of redemption by first-class mail, overnight delivery service or such other means as are acceptable to the recipient, postage or service prepaid (or as specified in the Indenture) (i) to the Rating Agency, (ii) if the Bonds are not subject to the Book-Entry System, to certain municipal registered Securities Depositories (described below) which are known to the Trustee, on the second Business Day prior to the date the notice of redemption is mailed to the Bondholders, to be holding Bonds and (iii) to at least two of the national Information Services (identified in the Indenture) that disseminate securities redemption notices.

If notice is given as described under the first paragraph under this heading, failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

The Trustee shall rescind any Conditional Redemption if the requirements of the Indenture described under the subheading “Optional Redemption” above have not been met on or before the Redemption Date or the Trustee has received a direction to cancel the Conditional Redemption from the Credit Provider. The Trustee shall give notice of rescission by the same means as is provided in the Indenture and described under this heading for the giving of notice of redemption or by Electronic Means confirmed in writing. The optional redemption shall be canceled once the Trustee has given notice of rescission. Any Bonds subject to Conditional Redemption where redemption has been canceled shall remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the Redemption Date shall constitute an Event of Default. Notwithstanding notice having been given in the manner described above, any optional redemption of Bonds shall be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee in writing that an Event of Default under the Reimbursement Agreement has occurred.

### **Redemption Payments**

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Bonds called for redemption shall become due and payable on the Redemption Date, interest on those Bonds will cease to accrue from and after on the Redemption Date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption shall thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Issuer shall execute, and the Trustee shall authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Issuer or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same interest rate, maturity and term, in any Authorized Denomination, in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered.

### **Selection of Bonds To Be Redeemed Upon Partial Redemption**

If less than all the Outstanding Bonds are called for redemption, the Trustee shall select by lot in such manner as it determines in its discretion, the Bonds, or portions of the Bonds in Authorized Denominations, to be redeemed. In the selection process (a) any Pledged Bonds Outstanding will be called for redemption before any other Bonds are selected for redemption and (b) if applicable, the Bonds with the highest interest rate will be called for redemption before any other Bonds are selected for redemption. For the purposes of the provisions of the Indenture described under this heading, Bonds which have previously been selected for redemption will not be deemed Outstanding. Notwithstanding the foregoing, the Securities Depository for Book-Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

### **Purchase of Bonds in Lieu of Redemption**

If the Bonds are called for redemption in whole or in part, the Bonds called for redemption may be purchased in lieu of redemption as described below.

***Purchase in Lieu of Redemption.*** Purchase in lieu of redemption shall be available for all of the Bonds called for redemption or for such lesser portion of such Bonds as constitute Authorized Denominations. The Credit Provider or the Borrower with the written consent of the Credit Provider may direct the Trustee to purchase all or such lesser portion of the Bonds so called for redemption. In no event



will Fannie Mae in its capacity as Credit Provider purchase Bonds for its own account in lieu of redemption without the prior written consent of the General Counsel to Fannie Mae. Any such direction to the Trustee must be in writing, state either that all of the Bonds called for redemption are to be purchased or, if less than all of the Bonds called for redemption are to be purchased, identify those Bonds to be purchased by maturity date and outstanding principal amount in Authorized Denominations and be received by the Trustee no later than 12:00 noon one Business Day prior to the Redemption Date. If so directed, the Trustee shall purchase such Bonds on the date which otherwise would be the Redemption Date. Bonds called for redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required by the Indenture on the Redemption Date.

***Withdrawal of Direction to Purchase.*** On or prior to the scheduled redemption date, any direction given to the Trustee as described under this heading or any consent given by the Credit Provider to such a direction may be withdrawn by written notice to the Trustee. Subject generally to the Indenture, should a direction to purchase or the consent of the Credit Provider be withdrawn, the scheduled redemption of such Bonds shall occur.

***Purchase Price.*** The purchase price of the Bonds shall be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Bonds on the Redemption Date for such redemption. To pay the purchase price of such Bonds, the Trustee shall use such funds, if any, in:

- (1) the Credit Facility Account to pay the principal and interest components of the purchase price; and
- (2) the Redemption Account to pay the redemption premium component of the purchase price;

that the Trustee would have used to pay the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, that would have been payable on the redemption of such Bonds on the Redemption Date. Otherwise, the Trustee shall pay the purchase price only from Available Moneys. The Trustee shall not purchase the Bonds as described under this heading if by no later than the Redemption Date, sufficient moneys have not been deposited with the Trustee, or such moneys are deposited, but are not available.

***No Notice to Bondholders.*** No notice of the purchase in lieu of redemption shall be required to be given to the Bondholders (other than the notice of redemption otherwise required under the Indenture).

### **Book-Entry Only**

*The information relating to the Book-Entry System under this heading has been furnished by DTC, but have not been independently verified. While the information is believed to be reliable, none of the Issuer, the Trustee, the Borrower, the Underwriter, the Remarketing Agent, the Credit Provider, the Loan Servicer nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit

has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price (if applicable) and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, the Bond certificates will be printed and delivered to DTC.

The information in this Section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, reference herein to the registered owners of the Bonds (other than under the heading "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

## Remarketing Agent

Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. (the “Remarketing Agent”) will serve as remarketing agent with respect to the Bonds under a Remarketing Agreement, dated as of the date of the Indenture (the “Remarketing Agreement”), by and between the Remarketing Agent and the Borrower. The Remarketing Agent will determine the interest rates on the Bonds in accordance with the Indenture and is required to use its best efforts to remarket the Bonds in accordance with the terms of the Remarketing Agreement.

## FANNIE MAE

*The following information has been provided by Fannie Mae for use herein. While the information is believed to be reliable, none of the Issuer, the Trustee, the Borrower, the Underwriter, the Remarketing Agent, the Loan Servicer nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.*

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. It is the largest investor in home mortgage loans in the United States with a net portfolio of \$901.7 billion of mortgage loans as of December 31, 2003. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage-backed securities (“MBS”), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development (“HUD”) and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD. Approval of the Secretary of Treasury is required for Fannie Mae’s issuance of its debt obligations and MBS. Five of the eighteen members of Fannie Mae’s Board of Directors are appointed by the President of the United States, and the other thirteen are elected by the holders of Fannie Mae’s common stock.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

As of December 31, 2003, Fannie Mae’s core capital<sup>1</sup> was \$34.40 billion. Information on Fannie Mae and its financial condition is contained in Fannie Mae’s most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC’s website at [www.sec.gov](http://www.sec.gov). The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s web site at <http://www.fanniemae.com/ir/sec>.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any

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<sup>1</sup> Core Capital is the sum of (a) the stated value of outstanding common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings.

securities, tax or other laws or regulations. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

## **THE BORROWER AND THE PROJECT**

*The following information has been provided by the Borrower for use herein. While the information is believed to be reliable, none of the Issuer, the Trustee, the Underwriter, the Remarketing Agent, the Credit Provider, the Loan Servicer nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.*

### **The Borrower**

The Borrower is WLP Mountain View Apartments, LLC, a Delaware limited liability company. The sole manager of the Borrower is Lewis Operating Corp., a California corporation (the "Sole Manager"). The Sole Manager and its affiliates have been developing multifamily housing projects since the late 1970's and have developed 8,000 multifamily rental units in the states of California and Nevada.

### **The Project**

Construction of the Project was completed during August 1985. The Project consists of 44 buildings with a total of 270 units built on a site of approximately 12.8 acres located at 10935 Terra Vista Parkway in Rancho Cucamonga, California. The Project includes two pools, a separate spa and three laundry facilities. The Project provides 220 covered parking spaces and 236 open parking spaces.

The Project is comprised of the following:

| <b>Number of Units</b> | <b>Unit Type</b>   | <b>Square Footage</b> |
|------------------------|--------------------|-----------------------|
| 68                     | 2 bedroom/1 bath   | 752                   |
| 68                     | 2 bedroom/2 bath   | 800                   |
| 67                     | 2 bedroom/2.5 bath | 942                   |
| 67                     | 3 bedroom/2.5 bath | 1,171                 |

The table below sets forth a brief summary of the operating history of the Project for the calendar years 2003, 2002 and 2001, which was summarized from the unaudited financial statements for the Project. Neither the Issuer nor the Underwriters make any representation as to the accuracy of the financial information summarized below.

|   | <b>January 1, 2003<br/>through<br/>December 31, 2003<br/>(unaudited)</b> | <b>January 1, 2002<br/>through<br/>December 31, 2002<br/>(audited)</b> | <b>January 1, 2001<br/>through<br/>December 31, 2001<br/>(audited)</b> |
|---|--|--|--|
| Total Gross Rental Revenue and<br>Other Income        |  |  |  |
| Less: Total Operating Expenses<br>Before Depreciation |  |  |  |
| Net Operating Income<br>Available for Debt Service    |  |  |  |

Average annual occupancy for the Project was approximately \_\_\_\_% for 2003, \_\_\_\_% for 2002 and \_\_\_\_% for 2001. Occupancy for the Project was approximately \_\_\_\_% as of March \_\_\_\_, 2004, the most recent date for which such information was available.

Twenty percent of the dwelling units have been reserved for occupancy by tenants of low or moderate income. The Project is also subject to additional requirements of the Issuer. See Exhibit D attached hereto.

### **The Manager**

Management of the Project is currently handled by Lewis Operating Corp., a California corporation (the "Manager"). The Manager and its affiliates have been involved in the management of multifamily housing projects since the late 1970's and currently manage over 7,000 units of multifamily housing in the states of California and Nevada.

### **THE LOAN SERVICER**

*The following information has been provided by the Loan Servicer for use herein. While the information is believed to be reliable, none of the Issuer, the Trustee, the Borrower, the Underwriter, the Remarketing Agent, the Credit Provider nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.*

The Loan Servicer will be obligated, pursuant to its arrangements with Fannie Mae and Fannie Mae's servicing requirements, to perform diligently all services and duties customary to the servicing of mortgages, as well as those specifically prescribed by Fannie Mae. Fannie Mae will monitor the Loan Servicer's performance and has the right to remove the Loan Servicer with or without cause. The duties performed by the Loan Servicer include general loan servicing responsibilities, collection and remittance of principal and interest payments, administration of mortgage escrow accounts and collection of insurance claims.

The selection (or replacement) of the Loan Servicer is in the sole and absolute discretion of Fannie Mae. The servicing arrangements between the Loan Servicer and Fannie Mae are subject to amendment or termination from time to time without the consent of the Issuer, the Trustee or the Borrower, and none of the Trustee, the Issuer or the Borrower have any rights under, and none is a third party beneficiary of, the servicing arrangements between the Loan Servicer and Fannie Mae.

The Loan Servicer is an approved DUS seller/servicer under Fannie Mae's Delegated Underwriting and Servicing product line.

The Loan Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Mortgaged Property or compliance with any securities, tax or other laws or regulations. The Loan Servicer's role is limited to underwriting and servicing the Loan.

### **TAX MATTERS**

The Bonds are being issued pursuant to certain transition rules (the "Transition Rules") contained in the Tax Reform Act of 1986 (the "Tax Act") to refund the Prior Bonds. The Prior Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 1997 (the "1997 Indenture") by and between the Issuer and U.S. Trust Company of California, N.A., as trustee (the "1997 Trustee"). The proceeds of the Prior Bonds were loaned to Western Land Properties, a California limited partnership (the "Borrower"),

to refinance the acquisition and construction of the Project and refund the Issuer's 1991 Bonds, the proceeds of which were used to refinance the Issuer's 1983 Bonds, the proceeds of which were used to finance the acquisition and construction of the various projects including the Project.

The Internal Revenue Code of 1954, as amended (the "1954 Code"), imposed certain requirements that must have been met in connection with and at all times subsequent to the issuance of the 1983 Bonds in order that interest on the 1983 Bonds, the 1991 Bonds and the Prior Bonds be excluded pursuant to Section 103(a) of the 1954 Code from the gross income of the owners thereof for federal income tax purposes. The Transition Rules require compliance with those requirements, including compliance with Section 103(b)(4)(A) of the 1954 Code. Section 1.103-8(b) of the Treasury Regulations (the "Regulation") sets forth requirements for such compliance, including, in part, that 20% of the completed units in the Project be continuously occupied by individuals of low or moderate income throughout a statutory period (the "Qualified Project Period"), as described in the Regulatory Agreement. In addition, the Regulation requires that, once available for occupancy, each unit in the Project must be rented or available for rental to members of the general public on a continuous basis during the longer of (a) the remainder of the term of the Bonds or (b) the Qualified Project Period. The Regulation also provides that failure to satisfy the foregoing requirements on a continuous basis, unless corrected within a reasonable period of time (not less than 60 days) after such noncompliance is first discovered, or should have been discovered in the exercise of reasonable diligence, will cause the interest on the Bonds to be taxable as of the date of issuance of the Bonds.

In addition to satisfying the requirements of the 1954 Code, the Transition Rules require that the Bonds satisfy certain requirements of the Internal Revenue Code of 1986, as amended (the "1986 Code"), including the provisions of Sections 147, 148 and 149 of the 1986 Code, relating inter alia to arbitrage and the periodic calculation and payment to the United States Treasury of certain arbitrage earnings, limitations on the cost of issuing the Bonds that may be paid with Bond proceeds, public approval of the Bonds and the reporting of certain information to the United States Treasury. Failure of the Issuer or the Borrower to comply with these requirements will cause interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of the date on which such noncompliance occurs. The Issuer has covenanted in the Indenture, and the Borrower has covenanted in the Financing Agreement, to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

On the date of issuance of the Bonds, Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, will render its opinions to the effect that under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, and assuming compliance with the aforementioned covenants, interest on the Bonds (except for interest accruing on any Bond for any period during which the Bond is held by a "substantial user" of any of the facilities financed or refinanced with the proceeds of the Bonds or by a "related person," as such terms are defined in Section 103(b)(13) of the 1954 Code) is excluded pursuant to Title XIII of the Tax Reform Act of 1986 and Section 103 of the 1954 Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel also will render its opinion to the effect that under existing law the Bonds are not "specified private activity bonds" and, therefore, that the interest on the Bonds will not be an item of tax preference under Section 57 of the 1986 Code for purposes of the federal alternative minimum tax. The statutes, regulations, rulings and court decisions on which such opinions will be based are subject to change. The receipt or accrual of interest on Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75% of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to the alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

In reaching its opinions described above, Bond Counsel will rely upon certifications and representations made by the Issuer and the Borrower in the 1997 Indenture and the Loan Documents (as defined in the 1997 Indenture) and certificates delivered in connection with the issuance of the Prior Bonds, such records of the Issuer, the 1997 Trustee, the Borrower and such other persons as have been made available to it regarding such matters, and representations and certifications of the Issuer and the Borrower made in the Financing Documents, the Regulatory Agreement and certificates delivered in connection with the issuance of the Bonds, all as the same pertain to the use, expenditure and investment of the proceeds of the 1983 Bonds, the 1991 Bonds, the Prior Bonds and the Bonds. Bond Counsel also will assume continuing compliance with the provisions of the 1997 Indenture and the Loan Documents, the Indenture, the Loan Agreement and the Regulatory Agreement subsequent to the issuance of the Prior Bonds and subsequent to the issuance of the Bonds, respectively. The aforementioned documents and certifications contain covenants by the Issuer and the Borrower with respect to, among other matters, the expected expenditures, use and investment of proceeds of the Prior Bonds and of the Project, the manner in which the proceeds of the Bonds are to be used and invested, the periodic calculation and payment to the United States Treasury of arbitrage profits from the investment of the proceeds of the Bonds, and the reporting of certain information to the United States Treasury. Failure by any person (including by any successor to the interests of the Borrower in the Project) to have complied, or in the future to comply, with any of these representations or covenants could cause interest on the Bonds to fail to be excluded from gross income of the owners thereof for federal income tax purposes from the date of issuance of the Bonds.

Although Bond Counsel will render the foregoing opinions as to the exemption of interest on the Bonds from California personal income taxation and the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of Bonds should be aware that: (i) Section 265 of the 1986 Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of financial institution, that portion of an owner's interest expense allocated to the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the 1986 Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds; (iii) interest on Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the 1986 Code; (iv) passive investment income, including interest on Bonds, earned by Subchapter S corporations that have Subchapter C earnings and profits at the close of a taxable year may be subject to federal income taxation under Section 1375 of the 1986 Code if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (v) Section 86 of the 1986 Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on Bonds; and (vi) under Section 32(i) of the 1986 Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that future legislation, or amendments to the 1986 Code, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the



Bonds or the proceeds thereof permitted or predicated upon the advice or approval of counsel if such advice or approval is given by other counsel.

The proposed form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Exhibit A.

## **LEGAL MATTERS**

Certain legal matters relating to the issuance of the Bonds will be subject to the approving opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. The proposed form of such opinion is included in this Official Statement at Exhibit A.

Certain legal matters will be passed on for Fannie Mae by its Legal Department and by its special counsel, O'Melveny & Myers LLP; for the Borrower by its General Counsel; and for the Underwriter by Kutak Rock LLP.

The payment of fees and expenses of certain of the counsel listed above is contingent upon the delivery of the Bonds.

## **NO LITIGATION**

### **The Issuer**

There is, to the best knowledge of the Issuer, no action, suit or proceeding pending or threatened, restraining or enjoining the issuance and delivery of the Bonds or in any way contesting or affecting the validity of the Bonds.

### **The Borrower**

There is not now pending or, to the knowledge of the Borrower, threatened any proceeding or litigation against the Borrower affecting the ability of the Borrower to enter into or deliver the Financing Agreement, the Regulatory Agreement or any other of the Transaction Documents, seeking to restrain or enjoin the Borrower's execution and delivery of the agreements described in this Official Statement, or contesting the existence or powers of the Borrower with respect to the transactions described in this Official Statement.

## **RATINGS**

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (the "Rating Agency") has assigned to the Bonds the ratings set forth on the cover hereof. Such ratings reflect only the views of the Rating Agency at the time the ratings are given, and the Issuer makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings may be obtained only from the Rating Agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by the Rating Agency, if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

Hutchinson, Shockey, Erley & Co. and Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. (together, the "Underwriter") have agreed to purchase the Bonds at a price

of \_\_\_\_% of the principal amount thereof pursuant to the Bond Purchase Agreement by and among the Issuer, the Underwriter and the Borrower and will be paid an underwriter's fee equal to \_\_\_\_% of the principal amount of the Bonds. From such fee, the Underwriter will pay certain fees and expenses in connection with the sale of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering price stated on the cover of this Official Statement.

### **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds.

[Issuer's Signature Page to Official Statement]

COUNTY OF SAN BERNARDINO

By \_\_\_\_\_  
Thomas R. Laurin, Director  
Department of Economic and Community  
Development

[Borrower's Signature Page to Official Statement]

WLP MOUNTAIN VIEW APARTMENTS, LLC, a  
Delaware limited liability company

By: Lewis Operating Corp., a California corporation,  
Sole Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Authorized Agent

**EXHIBIT A**  
**FORM OF BOND OPINION**

## **EXHIBIT B**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

*The following is a brief summary of certain provisions of the Indenture. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, a copy of which is on file with the Trustee.*

“*Account*” means an account established within a Fund.

“*Act*” means, collectively, Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Refunding Law”) and Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Financing Law”) as such statutes may be amended from time to time.

“*Act of Bankruptcy*” means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

“*Adjustment Date*” means any date on which the interest rate on the Bonds is adjusted to a different Mode or to a different Reset Rate. An Adjustment Date may only occur on an Interest Payment Date or, if such date is not a Business Day, the following Business Day. Any Reset Date and the Fixed Rate Adjustment Date are Adjustment Dates.

“*Advance*” means an advance made under the Credit Facility.

“*Affiliate*” as applied to any person, means any other person directly or indirectly controlling, controlled by or under common control with that person. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities or partnership interests or by contract or otherwise.

“*Alternate Credit Facility*” means a letter of credit (whether or not so named), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility (other than the Credit Facility delivered on the Closing Date) provided in accordance with the Financing Agreement.

“*Alternate Credit Provider*” means the provider of an Alternate Credit Facility.

“*Assigned Rights*” has the meaning given to that term in the Assignment.

“*as their interests may appear*” or “*as its interest may appear*” means, with reference to any of the Assigned Rights, the respective interests, exclusive of the Reserved Rights of the Issuer, of Fannie Mae and of the Trustee to such documents and rights as set forth in the Assignment.

“*Authorized Borrower Representative*” means any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the Issuer, the Loan Servicer, the Credit Provider and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized manager or managing member of the

Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer, the Loan Servicer and the Credit Provider) a written certificate revoking such person's authority to act in such capacity.

*"Authorized Denomination"* means, (i) during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 and (ii) during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

*"Available Moneys"* means, as of any date of determination, any of (i) the proceeds of the Bonds, (ii) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer or any guarantor of the Loan), (iii) moneys received by the Trustee pursuant to a draw on the Credit Facility, (iv) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel acceptable to each Rating Agency to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code; (v) the price paid by the Credit Provider for the purchase of Bonds in lieu of redemption pursuant to the Indenture; and (vi) Investment Income derived from the investment of moneys described in clause (i), (ii), (iii) or (iv).

*"Bankruptcy Code"* means Title 11 of the United States Code entitled "Bankruptcy," as in effect now and in the future, or any successor statute.

*"Beneficial Owner"* means, for any Bond that is held by a nominee, the beneficial owner of such Bond.

*"BMA Index Rate"* means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

*"Bond Counsel"* means (i) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (ii) after the Closing Date, any law firm selected by the Issuer and reasonably acceptable to the Credit Provider, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest payable on bonds issued by states and political subdivisions.

*"Bond Documents"* means the Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Financing Agreement, the Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Mortgaged Property), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such agreement or instrument may be amended, supplemented or restated from time to time.

*"Bondholder," "holder," "Owner," "owner," "Registered Owner" or "registered owner"* means, with respect to any Bond, the owner of the Bond as shown on the Bond Register.

*“Bondholder Tender Notice”* means a written notice meeting the requirements of the Indenture described in the Official Statement under the heading *“THE BONDS—Optional Tender.”*

*“Bond Purchase Fund”* means the Bond Purchase Fund created by the Indenture.

*“Bond Register”* means the Bond Register maintained by the Trustee pursuant to the Indenture.

*“Bond Resolution”* means the resolution adopted by the Issuer authorizing and approving the issuance and sale of the Bonds and the execution and delivery of the Indenture, the Assignment, the Bond Purchase Agreement, the Financing Agreement, the Regulatory Agreement and certain other documents, making certain appointments and determining certain details with respect to the Bonds.

*“Book-Entry Bonds”* means that part of the Bonds for which a Securities Depository or its nominee is the Bondholder.

*“Book-Entry System”* means an electronic system in which the clearance and settlement of securities transactions is made through electronic book-entry changes.

*“Borrower Documents”* means the Bond Documents to which the Borrower is a party, the Credit Facility Documents to which the Borrower is a party and the Loan Documents and all other documents to which the Borrower is a party and which are being executed and delivered by the Borrower in connection with the transactions provided for in the Bond Documents, the Loan Documents and the Credit Facility Documents.

*“Business Day”* means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee, the Underwriter or the Loan Servicer is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed or (v) so long as a Credit Facility is in effect, any day on which the Credit Provider is closed.

*“Certificate of Borrower”* means the Certificate of Borrower dated the Closing Date, as it may be amended, supplemented or restated from time to time.

*“Code”* means the Internal Revenue Code of 1954, as amended (the “1954 Code”) and the Internal Revenue Code of 1986, as amended (the “1986 Code”), in each case to the extent made applicable to matters relating to the Bonds and the Mortgaged Property by Section 1313(a) of the Tax Reform Act of 1986; each reference to the Code is deemed to include (i) any successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations whether final, temporary or proposed under such provision or successor provision.

*“Conditional Redemption”* means a redemption where the Trustee has stated in the notice of redemption that the redemption is conditioned upon deposit of funds as further described under the heading *“THE BONDS—Notice of Redemption to Registered Owners.”*



*“Costs of Issuance”* means:

(a) the fees, costs and expenses of (i) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, if any, (ii) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee’s counsel, (v) the Loan Servicer and the Loan Servicer’s counsel, if any, (vi) the Credit Provider and the Credit Provider’s counsel, (vii) the Borrower’s counsel and the Borrower’s financial advisor, if any, and (viii) the Rating Agency;

(b) costs of printing the offering documents relating to the sale of the Bonds; and

(c) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the Loan.

*“Costs of Issuance Deposit”* means the deposit in the amount set forth under the heading “SOURCES AND USES OF FUNDS” herein to be made by the Borrower with the Trustee on the Closing Date to pay Costs of Issuance.

*“Costs of Issuance Fund”* means the Costs of Issuance Fund created by the Indenture.

*“Credit Facility Account”* means the Credit Facility Account of the Revenue Fund.

*“Credit Facility Documents”* means the Reimbursement Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Security Instrument), the Hedge Documents, the Hedge Reserve Escrow Account Security Agreement, the Hedge Security Agreement, the Pledge Agreement and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, supplemented or restated from time to time.

*“Designated Office”* of the Trustee, the Tender Agent, the Underwriter or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Underwriter or the Loan Servicer at the respective address set forth in the Indenture or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Underwriter or the Loan Servicer, as applicable, as provided in the Indenture.

*“DTC”* means The Depository Trust Company and any successor to it or any nominee of it.

*“DTC Participant”* has the meaning given to that term in the Indenture.

*“Electronic Means”* means a facsimile transmission or any other electronic means of communication approved in writing by the Credit Provider.

*“Event of Default”* means, as used in any Transaction Document, any event described in that document as an Event of Default. Any “Event of Default” as described in any Transaction Document is not an “Event of Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

*“Extension Date”* means, with respect to an Alternate Credit Facility, the date which is five Business Days prior to the expiration date of the Alternate Credit Facility.

*“Extraordinary Items”* means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses including reasonable fees and expenses of its counsel.

*“Facility Fee”* has the meaning given to that term in the Reimbursement Agreement.

*“Fannie Mae”* means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

*“Fees Account”* means the Fees Account of the Revenue Fund.

*“Fixed Rate”* means the rate of interest borne by the Bonds as determined in accordance with the Indenture.

*“Fixed Rate Adjustment Date”* means the date on which the interest rate on the Bonds adjusts from the Weekly Variable Rate or a Reset Rate to the Fixed Rate pursuant to the Indenture.

*“Fixed Rate Period”* means the period beginning on the Fixed Rate Adjustment Date and ending on the Maturity Date.

*“Fund”* means any fund created by the Indenture and described in this Exhibit B under the heading “Creation of Funds and Accounts.”

*“Government Obligations”* means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

*“Hedge Documents”* has the meaning given that term in the Hedge Security Agreement.

*“Hedge Reserve Escrow Account Security Agreement”* means the Hedge Reserve Escrow Account Security Agreement, dated as of the date of the Indenture, among the Borrower, the Loan Servicer and Fannie Mae, as amended, supplemented or restated from time to time.

*“Hedge Security Agreement”* means the Hedge Security Agreement, dated as of the date of the Indenture, among the Borrower, the Loan Servicer and Fannie Mae, as amended, supplemented or restated from time to time.

*“Highest Rating Category”* has the meaning, with respect to an Investment, given in this definition. If the Bonds are rated by a Rating Agency, the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A-1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG-1” (for fixed rate) or “VMIG-1” (for variable rate) for three months or less and “Aaa” for greater than three months. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of

those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For example, an Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

*“Interest Account”* means the Interest Account of the Revenue Fund.

*“Interest Payment Date”* means (i) during any Weekly Variable Rate Period, the fifteenth day of each calendar month commencing on the first Interest Payment Date set forth on the cover hereof; (ii) each Adjustment Date; (iii) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, (iv) the Maturity Date and (v) for all Bonds any date determined pursuant to the Indenture as described in this Exhibit B under the heading “Application of Moneys.”

*“Interest Requirement”* means (i) during the Weekly Variable Rate Period, 34 days’ interest on the Bonds at the Maximum Rate on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed and (ii) during a Reset Period or the Fixed Rate Period, 210 days’ interest at, respectively, the Reset Rate or the Fixed Rate, as the case may be, on the basis of a year of 360 days of 12 30-day months; or, in the case of either (i) or (ii), such other number of days as may be required by the Rating Agency.

*“Investment”* means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

*“Investment Income”* means the earnings, profits and accreted value derived from the investment of moneys pursuant to the Indenture.

*“Issuer Documents”* means the Assignment, the Bonds, Financing Agreement, the Indenture, the Loan Documents to which the Issuer is a party, the Regulatory Agreement and the Tax Certificate.

*“Issuer’s Fee”* means the Issuer’s annual fee in the amount set forth in the Indenture payable by the Borrower under the Financing Agreement.

*“Letter of Representations”* means, when all the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and the Trustee and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

*“Loan Documents”* means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreement is a Loan Document and neither document is secured by the Security Instrument.

*“Mandatory Tender Date”* means any date on which Bonds are required to be tendered pursuant to the Indenture as described in the Official Statement under the heading “THE BONDS—Mandatory Tender,” including any proposed Adjustment Date, Adjustment Date, Substitution Date, Extension Date or date specified by the Trustee as provided in the Indenture and described in the Official Statement under the heading “THE BONDS—Mandatory Tender.”

“*Maturity Date*” means the maturity date set forth on the cover hereof.

“*Maximum Rate*” means 12% per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (ii) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Bonds from gross income for federal income tax purposes and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

“*Mode*” means any of the Weekly Variable Rate, the Reset Rate and the Fixed Rate.

“*Moody’s*” means Moody’s Investors Service, a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, that assigns credit ratings.

“*Mortgaged Property*” means the real property described in the Security Instrument, together with all improvements, fixtures and personal property (to the extent of the Borrower’s interest therein) and located on such real property.

“*Net Bond Proceeds*” means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

“*Note Interest*” has the meaning given to that term in the Note and defined in Exhibit F hereto.

“*Opinion of Counsel*” means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws or regulations or bankruptcy matters, such legal counsel also must be an attorney or firm of attorneys experienced in such matters.

“*Outstanding*” means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

- (a) Bonds cancelled or delivered for cancellation at or prior to such date;
- (b) Bonds deemed to be paid in accordance with the Indenture and described in this Exhibit B under the heading “Defeasance”; and
- (c) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or held by or for the account of the Borrower and Pledged Bonds will be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are Pledged Bonds, Bonds owned or held by or for the account of the Borrower or a combination of Pledged Bonds and Bonds owned by or held for the account

of the Borrower. In determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that are registered in the name of or known by the Trustee to be held for the account of the Borrower, including Pledged Bonds, will be disregarded.

“*Permitted Investments*” means, to the extent authorized by law for investment of moneys of the Issuer:

- (a) Government Obligations.
- (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
- (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.
- (d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.
- (e) Commercial paper rated in the Highest Rating Category.
- (f) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (A) the Qualified Financial Institution’s unsecured short-term obligations are rated in the Highest Rating Category or (B) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation.
- (g) An agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Provider; and provided further that such agreement includes the following restrictions:
  - (1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Fund(s) established under the Indenture to which the agreement is applicable or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;
  - (2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or the Credit Provider repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated “AAAm-G” or “AAAm” by S&P or Aaa by Moody’s so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated “AAAm-G” or “AAAm” by S&P, if S&P is a Rating Agency, or “Aaa” by Moody’s, if Moody’s is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated “AAAm-G” or “AAAm” by S&P or “Aaa” by Moody’s. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Credit Provider and each Rating Agency.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of

purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Indenture in connection with the defeasance of the Bonds, and Permitted Investments listed in paragraphs (g) and (i)).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities.

(4) Any interest-only or principal-only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

(9) Any investment to which S&P has added an “r” or “t” highlighter.

“*Person*” means a natural person, estate, trust, corporation, partnership, limited liability company, association, public body or any other organization or entity (whether governmental or private).

“*Pledge Agreement*” means the Pledged Bonds Custody and Security Agreement dated as of the date of the Indenture, among the Borrower, the Trustee, as collateral agent for the Credit Provider, and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“*Pledged Bond*” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Borrower with the proceeds of an Advance under the Credit Facility, to, but excluding, the date on which the Pledged Bonds Advance made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

“*Potential Default*” means, as used in any Transaction Document, any event that has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default as described in that document. Any “Potential Default” as described in any Transaction Document is not a “Potential Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“*Preference Claim*” means the making of any claim in connection with seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Loan.

*“Principal Amount”* means the principal amount of the Bonds on the Closing Date.

*“Principal Reserve Amount”* means an amount equal to 20% of the principal amount of the Bonds on the Closing Date.

*“Principal Reserve Fund”* means the Principal Reserve Fund created by the Indenture.

*“Principal Reserve Schedule”* means the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended, supplemented or restated from time to time.

*“Qualified Financial Institution”* means any of: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) any other entity which is acceptable to the Credit Provider. With respect to any entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term “Permitted Investments” or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

*“Rate Determination Date”* means (i) with respect to the Weekly Variable Rate, Wednesday of each week, or if such Wednesday is not a Business Day, the first Business Day before such Wednesday; provided, however, that upon any adjustment to the Weekly Variable Rate Mode from a Reset Rate, the first Rate Determination Date will be the Business Day prior to the Adjustment Date and (ii) with respect to any Reset Rate and the Fixed Rate, the date selected by the Underwriter which date must be a Business Day not less than five Business Days prior to the Adjustment Date.

*“Rating Agency”* means any nationally recognized statistical rating agency then maintaining a rating on the Bonds.

*“Rebate Analyst”* means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, (ii) chosen by the Borrower and (iii) engaged for the purpose of determining the amount of required deposits, if any to the Rebate Fund.

*“Rebate Fund”* means the Rebate Fund created by the Indenture.

*“Record Date”* means, with respect to any Interest Payment Date, (i) if the Bonds bear interest at the Weekly Variable Rate, the Business Day before the Interest Payment Date and (ii) if the Bonds bear interest at a Reset Rate or the Fixed Rate, the first day of the month in which the Interest Payment Date occurs.

*“Redemption Account”* means the Redemption Account of the Revenue Fund.



*“Redemption Date”* means any date upon which Bonds are to be redeemed pursuant to the Indenture.

*“Remarketing Notice Parties”* means the Borrower, Issuer, Trustee, Tender Agent, Remarketing Agent, Credit Provider and Loan Servicer.

*“Reserved Rights”* means those certain rights of the Issuer under the Financing Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Mortgaged Property, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer, if any), and its right to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement relating to the Reserved Rights.

*“Reset Date”* means any date upon which the Bonds begin to bear interest at a Reset Rate for the Reset Period then beginning.

*“Reset Period”* means each period of ten years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, during which the Bonds bear interest at a Reset Rate.

*“Reset Rate”* means the rate of interest borne by the Bonds as determined in accordance with the Indenture.

*“Revenue Fund”* means the Revenue Fund created by the Indenture.

*“Revenues”* means all (i) payments made under the Credit Facility, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund, the Fees Account and the Costs of Issuance Fund, but including Investment Income earned on Net Bond Proceeds deposited into the Costs of Issuance Fund and Investment Income on such Investment Income) and (iii) payments made under the Note.

*“Securities Depository”* means, initially, DTC and any replacement securities depository appointed under the Indenture.

*“Security”* means the Trust Estate and the Credit Facility.

*“S&P”* means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

*“State”* means the State of California.

*“Substitution Date”* means the date (other than the Closing Date) upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect, which date must be an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period.

*“Tax Certificate”* means the Tax Certificate as To Arbitrage And The Provisions of Sections 141-150 of the Internal Revenue Code of 1986, dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, supplemented or restated from time to time.

*“Tax Event”* has the meaning given to that term in the Indenture and in this Exhibit B under the heading “Events of Default; Preliminary Notice.”

*“Tender Agent”* means the Tender Agent named in the Indenture or its successor as Tender Agent under the Indenture named in accordance with the Indenture.

*“Tender Agent Agreement”* means any Tender Agent Agreement entered into by the Issuer, the Trustee and the Tender Agent in the event that the Trustee does not serve as Tender Agent under the Indenture, as such agreement may be amended, supplemented or restated from time to time.

*“Tender Date”* means any Mandatory Tender Date or any other date on which Bondholders are permitted under the Indenture to tender their Bonds for purchase.

*“Tendered Bond”* means any Bond which has been tendered for purchase pursuant to the Indenture as described in the Official Statement under the heading “THE BONDS—Optional Tender” and “—Mandatory Tender.”

*“Third Party Fees”* has the meaning given to that term in the Indenture and in this Exhibit B under the heading “Revenue Fund—Fees Account.”

*“Transaction Documents”* means the Bond Documents, the Loan Documents and the Credit Facility Documents.

*“Trust Estate”* means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to the Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider pursuant to the Assignment.

*“Trustee’s Annual Fee”* means the annual continuing trust administration fee of the Trustee as provided in the Financing Agreement, computed and payable semiannually in arrears on the dates specified in the Indenture.

*“Week”* means any seven-day period during a Weekly Variable Rate Period beginning on Thursday and ending on and including the following Wednesday, except that:

(a) the first Week will begin on the Closing Date and end on and include the following Wednesday;

(b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday;

(c) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date;

(d) the final Week will begin on a Thursday and end on the earlier of an Adjustment Date or the Maturity Date; and

(e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than seven days.

*“Weekly Variable Rate”* means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period in accordance with the Indenture as described in the Official Statement under the heading “THE BONDS—General.”

*“Weekly Variable Rate Period”* means the period commencing on the Closing Date or an Adjustment Date on which the interest rate on the Bonds is adjusted from the Reset Rate to the Weekly Variable Rate and ending on the day preceding the following Adjustment Date or the Maturity Date.

*“Wrongful Dishonor”* means an uncured failure by the Credit Provider to make an Advance to the Trustee upon proper presentation of documents which conform to the terms and conditions of the Credit Facility.

### **Creation of Funds and Accounts**

The following Funds and Accounts are created with the Trustee:

- (1) the Loan Fund;
- (2) the Revenue Fund, and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account and the Fees Account;
- (3) the Rebate Fund;
- (4) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund;
- (5) the Principal Reserve Fund; and
- (6) the Costs of Issuance Fund.

The Trustee shall hold and administer the Funds and Accounts in accordance with the Indenture.

### **Initial Deposits**

On the Closing Date, the Trustee shall make the following deposits:

- (a) the Net Bond Proceeds will be deposited into the Loan Fund;
- (b) the Costs of Issuance Deposit will be deposited into the Costs of Issuance Fund.

### **Loan Fund**

Amounts deposited in the Loan Fund shall be disbursed by the Trustee to fund the Loan upon satisfaction of the conditions to delivery of the Bonds as provided in the Indenture.

### **Revenue Fund—Interest Account**

*Deposits Into the Interest Account.* The Trustee shall deposit each of the following amounts into the Interest Account:

(a) moneys provided by or on behalf of the Borrower relating to an interest payment under the Note;

(b) all Investment Income on the Funds and Accounts (except that Investment Income earned on amounts on deposit in the Loan Fund, Rebate Fund, Costs of Issuance Fund and the Principal Reserve Fund shall be credited to and retained in those respective Funds or Accounts); and

(c) any other moneys made available for deposit into the Interest Account from any other source, including, but not limited to, any excess amounts in the Bond Purchase Fund pursuant to the Indenture.

***Disbursements From the Interest Account.*** The Trustee shall disburse or transfer, as applicable, moneys on deposit in the Interest Account at the following times and apply such moneys in the following manner and in the following order of priority:

(a) On each Interest Payment Date during any Reset Period or Fixed Rate Period, Redemption Date and any date of acceleration of the Bonds, the Trustee shall disburse (i) to the Credit Provider, the amount of any Advance under the Credit Facility relating to the payment of interest on the Bonds or (ii) in the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, to the Bondholders, an amount equal to the interest due on the Bonds on such date;

(b) If the Credit Provider or the Loan Servicer gives a written notice to the Trustee at any time to the effect that there is any unreimbursed Advance under the Credit Facility or any other amount required to be paid by the Borrower to the Credit Provider under the Loan Documents, the Bond Documents or the Credit Facility Documents remains unpaid, then the Trustee shall transfer any Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable, to the Credit Provider but not in an amount which exceeds the amount stated as unpaid by the Credit Provider in its notice to the Trustee; and

(c) Unless there is (i) a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (ii) an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan Document has occurred and is continuing, on each Interest Payment Date the Trustee shall disburse to the Borrower the Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable. If a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income shall be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

#### **Revenue Fund—Redemption Account**

***Deposits Into the Redemption Account.*** The Trustee shall deposit each of the following amounts into the Redemption Account:

(a) Available Moneys provided by or on behalf of the Borrower to fund the premium payable on Bonds in connection with a redemption of such Bonds which amounts shall be held in a segregated subaccount in the Redemption Account;

(b) moneys provided by or on behalf of the Borrower relating to a principal payment, including any prepayment under the Note;

(c) moneys transferred from the Principal Reserve Fund pursuant to the Indenture as described in this Exhibit B under the heading “Principal Reserve Fund”; and

(d) any other amount received by the Trustee and required by the terms of the Indenture or the Financing Agreement to be deposited into the Redemption Account.

***Disbursements From the Redemption Account.*** On each Redemption Date, date of acceleration of the Bonds and Maturity Date, the Trustee shall disburse from the Redemption Account (a) to the Credit Provider, the amount of any Advance under the Credit Facility relating to the payment of principal on the Bonds or (b) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date.

#### **Revenue Fund—Credit Facility Account**

***Deposits Into the Credit Facility Account.*** The Trustee shall deposit into the Credit Facility Account all Advances under the Credit Facility, except for (i) Advances on account of the Issuer’s Fee and (ii) Pledged Bond Advances. That portion of any Advance on account of Issuer’s Fee shall be deposited into the Fees Account. Any Pledged Bond Advance shall be deposited into the Bond Purchase Fund pursuant to the Indenture. No other moneys will be deposited into the Credit Facility Account and the Credit Facility Account shall be maintained as a segregated account and moneys therein shall not be co-mingled with any other moneys held under the Indenture. The Credit Facility Account shall be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

***Transfers From the Credit Facility Account.*** The Trustee shall cause amounts deposited into the Credit Facility Account to be applied on the date payment is due to the payments for which the Advance was made pursuant to the Credit Facility. In no event shall amounts in the Credit Facility Account be applied to the payment of principal of and interest and any premium on any Pledged Bonds or on any Bonds known by the Trustee to be held by the Borrower or any Affiliate of the Borrower. Any amounts remaining in the Credit Facility Account after making the payment for which the Advance was made pursuant to the Credit Facility shall be immediately refunded to the Credit Provider.

#### **Revenue Fund—Fees Account**

***Deposits Into the Fees Account.*** The Trustee shall deposit into the Fees Account the (i) payments made by the Borrower under the Financing Agreement attributable to the Issuer’s Fees and the fees and expenses of the Trustee, the Tender Agent, the Underwriter and the Rebate Analyst (collectively, “Third Party Fees”) and (ii) amounts derived from the Credit Facility for the payment of the Issuer’s Fee.

***Disbursements From the Fees Account.*** On any date on which any amounts are required to pay any Third Party Fees, such amounts shall be withdrawn by the Trustee from the Fees Account for payment to the appropriate party; provided, however, that amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Issuer’s Fee when due. In the event the amount in the Fees Account is insufficient to pay such Third Party Fees, the Trustee shall make written demand on the Borrower for the amount of such insufficiency and, pursuant to the terms of the Financing Agreement, the Borrower shall be liable to promptly pay the amount of such insufficiency to the Trustee after the date of the Trustee’s written demand. The Trustee will provide notice of the insufficiency to the Loan Servicer.

***No Other Claims to Trust Estate.*** Neither the Tender Agent, the Underwriter nor the Rebate Analyst shall have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other

than those moneys deposited pursuant to the Indenture into the Fees Account specifically for such Person. Except as otherwise stated in the Indenture and described in this Exhibit B under the headings “Disposition of Remaining Moneys” and “Payment of Outstanding Amounts,” the Issuer shall not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture into the Fees Account specifically for the Issuer. Except as otherwise stated in the Indenture and described in this Exhibit B under the headings “Disposition of Remaining Moneys,” “Payment of Outstanding Amounts” and “Application of Moneys,” the Trustee shall not have any right to any moneys in any Fund or Account or otherwise in the Trust Estate other than those moneys deposited pursuant to the Indenture as described above under the subheading “Deposits Into the Fees Account” into the Fees Account specifically for the Trustee.

### **Costs of Issuance Fund**

***Deposits into the Costs of Issuance Fund.*** On or before the Closing Date the Borrower shall deliver the Costs of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Costs of Issuance Deposit into the Costs of Issuance Fund.

***Disbursements from the Costs of Issuance Fund.*** The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund, pursuant to requisitions in the attached to the Indenture, signed by an Authorized Borrower Representative and approved by the Issuer, to pay Costs of Issuance. The Trustee may conclusively rely on such requisitions for purposes of making such disbursements. Moneys on deposit in the Costs of Issuance Fund shall not be part of the Trust Estate and will be used solely to pay Costs of Issuance.

***Disposition of Remaining Amounts.*** Any moneys remaining in the Costs of Issuance Fund six months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower. Upon final disbursement, the Trustee shall close the Costs of Issuance Fund.

### **Rebate Fund**

The Trustee shall hold and apply the Rebate Fund as provided in the Tax Certificate. Within 30 days after the end of every fifth Bond Year (as defined in the Tax Certificate), and within 55 days after the date on which no Bonds are Outstanding, the Borrower or the Trustee shall cause the Rebate Analyst to deliver to the Trustee and the Issuer a certificate stating whether any rebate payment is required to be made, as set forth in the Tax Certificate, and the Borrower shall deliver to the Trustee any amount so required to be paid.

### **Bond Purchase Fund**

***Deposits Into Bond Purchase Fund.*** The Trustee shall deposit each of the following into the Bond Purchase Fund:

- (a) remarketing proceeds received upon the remarketing of Tendered Bonds to any person; and
- (b) Pledged Bond Advances under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained as described in subsection (a) are insufficient on any date to pay the purchase price of Tendered Bonds which amounts the Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date.

Subject to the provisions of the Indenture permitting reimbursement of amounts owed to the Credit Provider described in this Exhibit B under the heading “Return of Payments Under the Credit Facility,” moneys in the Bond Purchase Fund shall be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds. Amounts held to pay the purchase price for more than two years will be applied in the same manner as provided under the Indenture with respect to unclaimed payments of principal and interest and as described in this Exhibit B under the heading “Nonpresentment of Bonds.”

***Disbursements From the Bond Purchase Fund.*** The Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date amounts on deposit in the Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent shall apply such amounts to pay the purchase price of Bonds purchased under the Indenture to the former owners of such Bonds upon presentation of the Bonds to the Tender Agent pursuant to the Indenture as described in the Official Statement under the headings “THE BONDS—Optional Tender” and “—Mandatory Tender.”

### **Principal Reserve Fund**

***Deposits Into the Principal Reserve Fund.*** The Trustee shall deposit each of the following amounts into the Principal Reserve Fund:

- (a) all of the monthly payments made by the Borrower in accordance with the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement, as such schedule may be amended in accordance with the Reimbursement Agreement; and
- (b) Investment Income earned on amounts on deposit in the Principal Reserve Fund.

The Trustee may rely upon the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement provided to it as of the Closing Date until it is furnished an amended schedule by the Credit Provider or the Loan Servicer.

***Disbursements From the Principal Reserve Fund.*** The Trustee shall pay or transfer amounts on deposit in the Principal Reserve Fund as follows:

- (a) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);
- (b) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Mortgaged Property;
- (c) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider;
- (d) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents, to any purpose approved in writing by the General Counsel of the Credit Provider;

(e) on each Adjustment Date, to the Redemption Account;

(f) during a Weekly Variable Rate Period, on the tenth Business Day prior to each Interest Payment Date, all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of \$100,000) in excess of the Principal Reserve Amount, to the Redemption Account; and

(g) the Trustee shall pay to the Borrower Investment Income on moneys in the Principal Reserve Fund on the Interest Payment Date following receipt by the Trustee of such interest or profits; provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that no default exists under the Credit Facility Documents, any Loan Document or any Bond Document. If a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee shall transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

### **Moneys To Be Held in Trust**

Except for (i) moneys deposited with or paid to the Trustee for the redemption of Bonds notice of the redemption of which has been duly given and (ii) moneys on deposit in the Costs of Issuance Fund, the Rebate Fund and the Fees Account, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account will be held by the Trustee in trust and, while held by the Trustee, shall constitute part of the Trust Estate and be subject to the security interest created by the Indenture.

### **Moneys Held for Particular Bonds**

The amounts held by the Trustee for payment of the interest, premium, if any, principal or redemption price due on any date with respect to particular Bonds, pending such payment, will be set aside and held in trust by the Trustee for the Bondholders entitled to such payment. For the purposes of the Indenture such interest, premium, principal or redemption price, after the due date of payment, will no longer be considered to be unpaid.

### **Nonpresentment of Bonds**

In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for two years after such principal has become due and payable, such amounts to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, will be paid to the Credit Provider, with any excess to be paid to the Borrower. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged. The obligation of the Trustee described under this heading to pay any such amounts to the Credit Provider or the Borrower will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

### **Disposition of Remaining Moneys**

Provided that the rebate requirements referenced in the Tax Certificate are first satisfied, any amounts remaining in the Revenue Fund or the Principal Reserve Fund after payment in full of the



principal of and interest and any premium on the Bonds will be applied to pay (i) first, to the Credit Provider any unpaid amounts certified by the Credit Provider to be due and owing to the Credit Provider, (ii) second, to the person or persons entitled to be paid, all other unpaid amounts required to be paid under the Indenture or the Financing Agreement and (iii) third, to the Borrower the balance upon the expiration or sooner cancellation or termination of the term of the Financing Agreement as provided in the Financing Agreement.

### **Investment Limitations**

Moneys held as part of any Fund or Account shall be invested and reinvested in Permitted Investments. Permitted Investments shall have maturities corresponding to, or shall be available for withdrawal without penalty no later than, the dates upon which such moneys shall be needed for the purpose for which such moneys are held. Moneys on deposit in the (i) Interest Account shall be invested only in investments described in paragraphs (a), (b), (c) and (h) of the definition of Permitted Investments, (ii) Redemption Account shall be invested only in investments described in paragraph (a) or (b) of the definition of Permitted Investments, with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that such moneys are anticipated to be required for redemption, (iii) Credit Facility Account and Bond Purchase Fund shall be held uninvested and (iv) Costs of Issuance Fund, until disbursed or returned to the Borrower pursuant to the Indenture, shall be invested only in investments described in paragraph (h) of the definition of Permitted Investments. Permitted Investments shall be held by or under the control of the Trustee. All Investment Income from moneys held in all Funds and Accounts other than the Rebate Fund, the Costs of Issuance Fund (other than as provided below) and the Principal Reserve Fund, upon receipt, shall be deposited into the Interest Account. Investment Income from moneys held in the Rebate Fund, the Costs of Issuance Fund and the Principal Reserve Fund shall remain in the respective Fund where earned.

The Trustee is authorized to sell and reduce to cash a sufficient amount of Permitted Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement. The Trustee shall not be accountable for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale. The Trustee may trade with itself and its Affiliates in the purchase and sale of securities for investments, and may transact purchases and sales through its investment department or through its Affiliates. The Trustee and its Affiliates may act as principal, agent, sponsor, advisor or depository with respect to any investments. All Permitted Investments shall be made by the Trustee in its name, as Trustee, at the written direction of the Borrower, subject to the limitations contained in the Indenture. If no direction is provided to the Trustee, the Trustee shall invest such moneys in investments described in paragraph (h) of the definition of Permitted Investments. In computing the amount in any Fund or Account, Permitted Investments if purchased at par shall be valued at principal cost plus accrued interest, or, if purchased at other than par, at principal cost plus amortized discount or less amortized premium (amortization to be on a straight-line basis to the date of stated maturity without regard to redemptions or repayments of principal which may occur prior to maturity) plus accrued interest. The Trustee shall take such actions as shall be necessary to assure that Permitted Investments purchased by it under the Indenture are held pursuant to the terms of the Indenture and are subject to the trusts and security interests created in the Indenture. The Issuer (and the Borrower by its execution of the Financing Agreement) has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee shall have no duty or obligation to determine the legality of any investment.

## **Credit Facility Requirement**

So long as the Bonds bear interest at the Weekly Variable Rate, one or more Credit Facilities providing credit support for the Loan or the Bonds and liquidity support for the Bonds must be in effect. When delivered, each Credit Facility shall satisfy the following requirements:

- (a) the Credit Facility shall be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement;
- (b) the Credit Facility shall provide for payment in immediately available funds to the Trustee, upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or mandatory redemption date pursuant to the Indenture; and
- (c) unless waived by the Issuer in its sole discretion, the Credit Facility shall result in the Bonds receiving a short-term rating in the highest rating category of each Rating Agency or a long-term rating in one of the three highest rating categories of each Rating Agency, or both, as applicable for the Mode then in effect.

## **Acceptance of the Credit Facility**

The Trustee shall hold the Credit Facility and shall enforce in its name all rights of the Trustee and all obligations of the Credit Provider under the Credit Facility for the benefit of the Bondholders. The Trustee shall not assign or transfer the Credit Facility except to a successor Trustee under the Indenture. The Issuer and the Trustee acknowledge that the obligations of Fannie Mae as the Credit Provider under the initial Credit Facility are not backed by the full faith and credit of the United States of America, but by the credit of Fannie Mae, a federally chartered, stockholder owned corporation.

## **Requests for Advances Under Credit Facility**

The Trustee shall request Advances under the Credit Facility in accordance with its terms and cause the proceeds of each Advance to be applied so that full and timely payments are made on each date on which payment of principal, interest or purchase price is due on any Bond or any payment of the Issuer's Fee is due and not paid by the Borrower pursuant to the Financing Agreement. The Trustee shall not request, and shall not apply the proceeds of, any Advance to pay (i) principal of, interest on or the purchase price of, any Pledged Bond or any Bond known by the Trustee to be held by the Borrower or any Affiliate of the Borrower, (ii) premium that may be payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any of the Bonds on or after the maturity of such Bond.

## **Return of Payments Under the Credit Facility**

In the event the Trustee receives an Advance from the Credit Provider on account of any Tendered Bond and thereafter the Trustee receives remarketing proceeds upon the remarketing of such Tendered Bond, then the Trustee shall promptly reimburse the Credit Provider with such funds to the extent of the amount so paid by the Credit Provider as a reimbursement on behalf of the Borrower.

## **Alternate Credit Facility**

Subject to the terms of the Credit Facility Documents, the Trustee shall accept any Alternate Credit Facility delivered to the Trustee in substitution for the Credit Facility then in effect if:

(a) the Alternate Credit Facility meets the requirements of the Indenture described under the heading “Credit Facility Requirement” above;

(b) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period;

(c) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and

(d) the Trustee receives on or prior to the effective date of the Alternate Credit Facility (i) an Opinion of Counsel to the Credit Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility and its enforceability and (ii) an opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

The Trustee shall give notice to the Bondholders of the substitution by such Alternate Credit Facility for the Credit Facility then in effect as provided in the Indenture. On the Substitution Date, the Trustee shall draw, if necessary, on the Credit Facility being replaced and shall not surrender such Credit Facility until all requests thereon have been honored.

### **Extension of Credit Facility**

In the event the term of any Credit Facility is extended, the Trustee must receive, not later than the Extension Date, (i) the commitment relating to such extension of the Alternate Credit Facility; and (ii) an Opinion of Counsel for the Alternate Credit Provider, in substantially the form of the Opinion of Counsel delivered to the Trustee upon the issuance of such Alternate Credit Facility. The Trustee shall provide a copy of the commitment to extend and the extension of the credit facility upon receipt thereof to the Rating Agency and, upon request, to any Bondholder. Upon the failure of the Borrower to furnish the Trustee with either a satisfactory commitment to extend the Alternate Credit Facility or an Alternate Credit Facility as described under the heading “Alternate Credit Facility” above and the accompanying Opinion of Counsel on or prior to each Extension Date, the Bonds shall be subject to mandatory tender pursuant to the Indenture.

### **Limitations on Rights of Credit Provider**

Notwithstanding anything contained in the Indenture to the contrary, all provisions in the Indenture regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned in such provisions (i) if a Wrongful Dishonor has occurred and is continuing or (ii) after the Credit Facility ceases to be valid and binding on the Credit Provider for any reason, or is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Provider’s right to notices and the payment of amounts due to the Credit Provider shall continue in full force and effect. The foregoing shall not affect any other rights of the Credit Provider.

## **Credit Provider To Control Insolvency Proceedings**

Each Bondholder, by its purchase of Bonds, the Trustee and the Issuer agree that the Credit Provider may at any time during the continuation of an insolvency proceeding of the Issuer or the Borrower (“Insolvency Proceeding”) direct all matters relating to the Bonds in any such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Credit Provider shall be subrogated to the rights of the Issuer, the Trustee and the Bondholders in any Insolvency Proceeding to the extent it has performed its payment obligations under the Credit Facility, including any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding and rights pertaining to the filing of a proof of claim, voting on a reorganization plan and rights to payment thereunder.

## **Limitations on Liability**

Notwithstanding any other provision of the Indenture to the contrary:

(a) The obligations of the Issuer with respect to the Bonds are not general obligations of the Issuer but are special, limited obligations of the Issuer payable by the Issuer solely from the Security.

(b) Nothing contained in the Bonds or in the Indenture shall be considered as assigning or pledging any funds or assets of the Issuer other than the Trust Estate.

(c) The Bonds are not and will not be a debt of the Issuer, the State or of any other political subdivision of the State, and neither the Issuer, the State, nor any other political subdivision of the State is or will be liable for the payment of the Bonds.

(d) Neither the faith and credit of the Issuer, the State nor of any other political subdivision of the State are pledged to the payment of the principal of and interest and any premium on the Bonds.

(e) No failure of the Issuer to comply with any term, condition, covenant or agreement in the Indenture or in any document executed by the Issuer in connection with the Mortgaged Property or the issuance, sale and delivery of the Bonds shall subject the Issuer to liability for any claim for damages, costs or other charges except to the extent that the same can be paid or recovered from the Trust Estate.

(f) The Issuer shall not be required to advance any moneys derived from any source other than the Trust Estate for any of the purposes of the Indenture, any of the other Bond Documents or any of the Loan Documents, whether for the payment of the principal or redemption price of, or interest on, the Bonds, the payment of Third Party Fees or administrative expenses or otherwise.

## **Discharge of Lien and Security Interest**

**Discharge.** Upon satisfaction of the conditions set out in the next succeeding paragraph, the Trustee shall (a) cancel and discharge the Indenture and the pledge and assignment of the Security, (b) execute and deliver to the Issuer such instruments in writing prepared by the Issuer or its counsel and provided to the Trustee and the Credit Provider as may be required to cancel and discharge the Indenture

and the pledge and assignment of the Trust Estate, (c) reconvey, assign and deliver to the Issuer so much of the Trust Estate as may be in its possession or subject to its control (except for (i) moneys and Government Obligations held for the purpose of paying Bonds and (ii) moneys and Investments held in the Rebate Fund for payment to the United States Government) who shall, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower, and (d) return the Credit Facility to the Credit Provider.

***Conditions to Discharge.*** The conditions precedent to the cancellation and discharge of the Indenture and the other acts described in the preceding paragraph are (i) payment in full of the Bonds, (ii) payment of the Trustee's Annual Fee and the Trustee's ordinary costs and expenses under the Indenture, (iii) receipt by the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid, (iv) payment of all Extraordinary Items, (v) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid, and (vi) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied.

***Survival of Rights and Powers.*** The Reserved Rights of the Issuer and the rights and powers granted to the Trustee with respect to the payment, transfer and exchange of Bonds shall survive the cancellation and discharge of the Indenture.

### **Payment of Outstanding Amounts**

If the Bonds are paid in full, but any one or more of the other conditions precedent set out in the subheading "Discharge of Lien and Security Interest—Conditions to Discharge" are not satisfied because an amount has not been paid, the Trustee, prior to cancellation and discharge of the Indenture, shall pay to the persons listed below, in the strict order set out below, the amounts required to satisfy those conditions precedent:

(a) ***Trustee's Annual Fee and Ordinary Costs and Expenses.*** If any portion of the Trustee's Annual Fee or ordinary costs and expenses or Extraordinary Items of the Trustee remain unpaid, the Trustee shall pay to itself so much of the Trust Estate as will fully pay such unpaid amounts.

(b) ***Credit Provider.*** If the Trustee receives a written statement from the Credit Provider stating that moneys are owed to the Credit Provider under the Credit Facility Documents or the Loan Documents, including obligations in respect of reimbursement of funds advanced by the Credit Provider to the Trustee for application to the payment of Remarketing Expenses, the Trustee shall pay to the Credit Provider so much of the remaining Trust Estate as will fully pay all amounts due and owing to the Credit Provider, as determined by the Credit Provider. The reimbursement from the Trust Estate of amounts advanced by the Credit Provider for application to the payment of Remarketing Expenses will be made with interest at a rate equal to the Prime Rate (as defined in the Reimbursement Agreement) plus two percentage points under the Reimbursement Agreement, from the date or dates of such advances through the date of such reimbursement. The Trustee is authorized to rely on the written statement of the Credit Provider as to the amount of such advances and interest accrued on such advances.

(c) ***Trustee.*** If any Extraordinary Items have not been paid to the Trustee, the Trustee shall pay to itself so much of the remaining Trust Estate as will fully pay all amounts owing to the Trustee for Extraordinary Items.

(d) **Issuer.** If the Trustee receives a written statement from the Issuer stating that moneys are owed to the Issuer in respect of the Reserved Rights, the Trustee shall pay to the Issuer so much of the remaining Trust Estate as will fully pay all amounts owing to the Issuer in respect of the Reserved Rights.

## **Defeasance**

The Bonds may not be defeased if the Bonds are in the Weekly Variable Rate Mode.

## **Events of Default; Preliminary Notice**

**Events of Default.** Each of the following constitutes an Event of Default under the Indenture:

- (a) default in the payment when due and payable of any interest due on any Bond (other than a Pledged Bond);
- (b) default in the payment when due and payable of (i) the principal of or any redemption premium on any Bond (other than a Pledged Bond) at maturity or upon any redemption, or (ii) the purchase price of any Tendered Bond (other than a Pledged Bond);
- (c) written notice to the Trustee from the Credit Provider of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer included in the Indenture or in the Bonds (other than an Event of Default set forth in subsection (a) or (b) above) and the continuance of such default for a period of 30 days after the Trustee receives such notice;
- (d) written notice to the Trustee from the Credit Provider of an Event of Default under the Reimbursement Agreement;
- (e) written notice to the Trustee from the Credit Provider of an Act of Bankruptcy; or
- (f) a Wrongful Dishonor.

**Preliminary Notice.** The Trustee shall immediately notify the Issuer, the Loan Servicer, the Borrower and the Credit Provider after the Trustee obtains knowledge or receives notice of the occurrence of an Event of Default under the Indenture or an event which would become such an Event of Default with the passage of time, the giving of notice or both, identifying the paragraph under which the Event of Default has occurred or may occur.

**Non-Default and Prohibition of Mandatory Redemption Upon Tax Event.** The occurrence of any event (“Tax Event”) which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents shall not (i) directly or indirectly constitute an Event of Default under the Indenture or permit any party (other than the Credit Provider) to accelerate, or require acceleration of, the Loan or the Bonds, unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement, or (ii) give rise to a mandatory redemption of the Bonds or (iii) give rise to the payment to the Bondholders of any amount, denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages,” “damages” or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing described in this subsection will be deemed to amend or supplement the terms of the Loan Documents. Promptly upon determining that a Tax Event has occurred,

the Issuer or the Trustee, by notice in writing to the Credit Provider, the Loan Servicer, all Registered Owners of the Bonds and the Underwriter, shall state that a Tax Event has occurred and whether the Tax Event is cured, curable within a reasonable period or incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Mortgaged Property.

### **Acceleration; Redemption and Mandatory Tender**

The Bonds are subject to acceleration, redemption and mandatory tender as set forth in the Indenture.

#### ***Acceleration.***

Upon:

(a) the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may, and, upon the written request of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, must, by written notice to the Issuer, the Borrower, the Credit Provider and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of payment immediately due and payable; or

(b) the occurrence of any other Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and must, upon the written direction of the Credit Provider, requiring that the Bonds be accelerated pursuant to this subsection, by written notice to the Issuer, the Borrower, the Credit Provider and the Loan Servicer, declare the principal of all Bonds and the interest accrued, and to accrue, on the Bonds to the date of declaration immediately due and payable.

***Redemption and Mandatory Tender.*** Upon the occurrence of an Event of Default described in paragraph (d) under the heading “Events of Default; Preliminary Notice—Events of Default” above:

(1) if the Credit Provider so directs pursuant to the Indenture, the Bonds shall be redeemed in whole or in part in the amount specified by and at the direction of the Credit Provider.

(2) if the Credit Provider so directs pursuant to the Indenture, the Bonds shall be subject to mandatory tender.

Notwithstanding anything to the contrary in the Indenture, if the Credit Provider directs that the Bonds be redeemed in part pursuant to the Indenture, the Credit Provider may further direct on one or more other occasions described under this subheading that the Bonds be redeemed in whole or in part or that the Bonds be subject to mandatory tender.

#### ***Notice.***

***Acceleration.*** Upon any decision to accelerate payment of the Bonds, the Trustee shall notify the Bondholders of the declaration of acceleration, that, in the event of acceleration described in paragraph (b) under the heading “Acceleration” above, interest on the Bonds will cease to accrue upon such

declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice shall be sent by registered mail or overnight delivery service, postage prepaid, or, at the Trustee's option, may be given by Electronic Means to each Registered Owner of Bonds at such Registered Owner's last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

*Redemption.* Upon the direction of the Credit Provider to redeem the Bonds in whole or in part pursuant the Indenture, immediate notice of redemption will be given.

*Mandatory Tender.* Upon any direction of the Credit Provider that the Bonds be subject to mandatory tender, the Trustee shall give notice to the Bondholders as provided in the Indenture.

*Draw on Credit Facility.* Immediately upon acceleration, mandatory redemption or mandatory tender of the Bonds, the Trustee shall request an Advance under the Credit Facility in accordance with its terms.

### **Other Remedies**

Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, with or without taking action described under the heading "Acceleration" above, but only with the prior written consent of the Credit Provider, and must at the direction of the Credit Provider if the Event of Default occurs under paragraph (c), (d) or (e) under the subheading "Events of Default," pursue any of the following remedies:

- (a) an action in mandamus or other suit, action or proceeding at law or in equity (i) to enforce the payment of the principal of and interest and any premium on the Bonds, (ii) for the specific performance of any covenant or agreement contained in the Indenture, the Financing Agreement or the Regulatory Agreement or (iii) to require the Issuer to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;
- (b) the liquidation of the Trust Estate; or
- (c) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

Subject to the provisions of the Indenture described under the heading "Rights of the Credit Provider and the Bondholders To Direct Proceedings; Rights and Limitations Applicable to Bondholders, Issuer and Trustee" in this Exhibit B and the requirement, if any, that the Credit Provider consent in writing to the exercise by the Trustee of any remedy, upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee shall exercise such of the rights and powers conferred by the Indenture as described under this heading as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Bondholders and, unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider.



**Preservation of Security and Remedies if  
Payment Under Credit Facility Is Not Made  
or Is Insufficient; Rights of Bondholders**

Upon the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may proceed, and upon the written request of the holders of not less than 25% of the aggregate principal amount of the Bonds Outstanding and the receipt of indemnity reasonably satisfactory to the Trustee shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Indenture by such suits, actions or special proceedings in equity or at law, whether for the specific performance of any covenant or agreement, or in aid of the execution of any power granted in the Indenture or by the Act, or for the enforcement of any legal or equitable right or remedy, as the Trustee, being advised by counsel, deems most effective to protect and enforce such rights or to perform any of its duties under the Indenture.

**Remedies Not Exclusive; Delay or Omission**

No right or remedy conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right and remedy will be cumulative and in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture or under the Financing Agreement, the Regulatory Agreement or the Credit Facility or now or later existing at law or in equity. No delay or omission to exercise any right or remedy provided in the Indenture will impair any such right or remedy or be construed to be a waiver of any Event of Default or acquiescence in it. Every such right and remedy may be exercised from time to time as often as may be deemed expedient.

**Waiver**

Subject to the conditions precedent set out below, (a) the Trustee may waive, (b) the Trustee shall waive if directed to do so by the Credit Provider in writing and (c) Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding may waive, by written notice to the Trustee, any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

- (i) unless waiver is directed by the Credit Provider, the Credit Provider must consent to such waiver in writing;
- (ii) the principal and interest on the Bonds in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate or rates of interest borne by the Bonds have been paid or provided for by the Borrower in Available Moneys or by the Credit Provider and all fees and expenses of the Trustee have been paid or provided for by the Borrower or the Credit Provider; and
- (iii) after the waiver, the Credit Facility remains in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding (other than Pledged Bonds) plus the Interest Requirement; provided, however, that such waiver will be permitted without the Credit Facility remaining in effect if (A) the Issuer consents to the waiver, (B) the Rating Agency then rating the Bonds is notified and the Trustee gives written notice to the Bondholders that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver and (C) 100% of the Bondholders consent to the waiver.

Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes and the Issuer, the Borrower, the Trustee and the Bondholders will be restored to their former positions and rights under the Indenture. No waiver of any default or Event of Default shall extend to or affect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

**Rights of the Credit Provider and the Bondholders  
To Direct Proceedings; Rights and Limitations  
Applicable to Bondholders, Issuer and Trustee**

***Rights To Direct Proceedings.*** Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, but only with the prior written consent of the Credit Provider, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, however, that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction (except for actions described under the headings “Acceleration; Redemption and Mandatory Tender—Notice” and “—Draw on the Credit Facility” herein).

***Limitations on Bondholders’ Rights.*** No Bondholder has or shall have the right to enforce the provisions of the Indenture or the Financing Agreement, or to institute any proceeding in equity or at law for the enforcement of the Indenture or the Financing Agreement, or to take any action with respect to an Event of Default under the Indenture or an Event of Default under the Financing Agreement, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture or the Financing Agreement upon an Event of Default unless (i) such Event of Default is a Wrongful Dishonor, (ii) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Loan Servicer and the Borrower written notice of the Event of Default, (iii) the holders of not less than 51% in aggregate principal amount of Bonds then Outstanding have requested the Trustee in writing to institute such proceeding, (iv) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (v) the Trustee has been offered reasonable indemnity, where required, and (vi) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or shall have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as described in this subsection, no Bondholder has or shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

**Discontinuance of Proceedings**

If the Trustee or any Bondholder has instituted any proceeding or remedy under the Indenture, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Issuer, the Credit Provider and the Trustee will be restored to their former positions and rights under the Indenture, and all rights, remedies, powers, duties and obligations of the Issuer, the Trustee and the Credit Provider shall continue as if no such proceedings had been taken, subject to the limits of any adverse determination.

## **Application of Moneys**

Amounts derived from payments under the Credit Facility (other than amounts derived from an Advance to pay the Issuer's Fee) shall be deposited into the Credit Facility Account and applied solely to pay the principal of and interest on the Bonds. Amounts on deposit in the Bond Purchase Fund shall be applied solely to pay the purchase price of the Bonds. All other moneys received by the Trustee pursuant to any action taken under the Indenture relating to an Event of Default thereunder shall be deposited into the Interest Account and the Redemption Account, as applicable, after payment of the ordinary fees, costs and expenses of the Trustee. The balance of such moneys, less such amounts as the Trustee determines may be needed for possible use in paying future fees and expenses and for the preservation and management of the Mortgaged Property (as identified by the Credit Provider), shall be applied as set out in the following subsections.

***Principal on Bonds Not Declared Due and Payable.*** Unless the principal on all Bonds has become or been declared due and payable, all such moneys will be applied:

FIRST, to the payment of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, of the amounts due, without any discrimination or privilege;

SECOND, to the payment of the unpaid principal of any of the Bonds which have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of due dates, with interest upon the principal amount of the Bonds from the respective dates upon which they become due at the rate or rates borne by the Bonds, to the extent permitted by law, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled to such payment without any discrimination or privilege; and

THIRD, to the payment of amounts owed to the Credit Provider under the Credit Facility Documents and the Loan Documents, and then to any amounts due to the Trustee for Extraordinary Items, for this purpose including the costs and expenses of any proceedings resulting in the collection of such moneys and of advances incurred or made by the Trustee.

***Principal of Bonds Declared Due and Payable.*** If the principal of all the Bonds has become or been declared due and payable, all such moneys shall be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest to the persons entitled to payment, until all such principal and interest has been paid; second, to pay the Credit Provider amounts owed to it under the Credit Facility Documents and the Loan Documents; and third, to any other amounts due and payable under the Indenture.

***General.*** Whenever moneys are to be applied pursuant to the Indenture as described under this heading "Application of Moneys," such moneys shall be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee applies such moneys, it shall fix the date (which will be an Interest Payment Date unless it deems an earlier date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue, unless interest has

already ceased to accrue in accordance with the Indenture as described under the heading “Acceleration” in this Exhibit B. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

## **Trustee**

***Qualification.*** The Trustee and any successor Trustee shall at all times be a bank or trust company organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the Trustee) and subject to supervision or examination by federal or state banking authority.

***Resignation or Removal of Trustee.*** The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Loan Servicer, the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Issuer, with the prior written consent of the Credit Provider, (ii) by the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, which written instrument shall designate a successor Trustee approved by the Credit Provider, or (iii) by the Credit Provider. Such resignation or removal shall not be effective until a successor Trustee satisfying the requirements described under the heading “Qualification” above is appointed and has accepted its appointment.

***Appointment of Successor Trustee.*** Upon the resignation or removal of the Trustee, a successor Trustee, satisfying the requirements of the Indenture, shall be appointed by the Issuer with the prior written consent of the Credit Provider (unless appointed by the Bondholders as provided in the Indenture); provided, however, that if the Borrower is then in default under any Bond Document or any Loan Document or if an event has occurred and is continuing which, with notice or the passage of time or both, would constitute such a default, such appointment will be made by the Issuer with the prior written consent of the Credit Provider. If, in the case of resignation or removal of the Trustee, no successor is appointed within 30 days after the notice of resignation or within 30 days after removal, as the case may be, then, in the case of a resignation, the resigning Trustee shall appoint a successor with the prior written consent of the Issuer and the Credit Provider or apply to a court of competent jurisdiction for the appointment of a successor Trustee and, in the case of a removal, the Credit Provider shall have the right to appoint a successor Trustee or to apply to a court of competent jurisdiction for the appointment of a successor Trustee. The successor Trustee must accept in writing its duties and responsibilities under the Indenture, the Financing Agreement, the Assignment and the Regulatory Agreement. The successor Trustee shall give notice of such succession by first-class mail, postage prepaid, to each Bondholder, the Issuer, the Credit Provider, the Loan Servicer and the Borrower.

## **Supplemental Indentures not Requiring Bondholder Consent**

The Issuer and the Trustee, without the consent of or notice to any Bondholder, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

- (a) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;

(b) to amend, modify or supplement the Indenture in any respect if such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States;

(e) to appoint a successor trustee, separate trustee or co-trustee, or a separate Tender Agent or Bond Registrar;

(f) to make any change requested by the Credit Provider which is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(g) to make any changes in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the then existing rating awarded to the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

(h) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary in the Opinion of Bond Counsel;

(i) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described under the heading “Supplemental Indentures Requiring Bondholder Consent” in this Exhibit B, (i) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (ii) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture as described in the Official Statement under the heading “THE BONDS—Optional Tender”; or

(j) to change any of the time periods for provision of notice relating to the remarketing of Bonds or the determination of the interest rate on the Bonds.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee shall join the Issuer in the execution of any such supplemental indenture. The Trustee promptly shall furnish a copy of any such supplemental indenture to the Credit Provider, the Underwriter, the Tender Agent, the Loan Servicer and the Borrower.

## **Supplemental Indentures Requiring Bondholder Consent**

The Issuer and the Trustee may, with the consent of Bondholders owning not less than 51% in aggregate principal amount of Bonds then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying, amending any of the provisions of the Indenture provided, however, that nothing described under this heading permits, or shall be construed as permitting:

- (a) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owner of such Bond;
- (b) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond;
- (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the owners of all such Bonds;
- (d) the creation of a lien prior to or on parity with the lien of the Indenture, without the consent of the owners of all of the Bonds then Outstanding;
- (e) a change in the percentage of Bondholders necessary to waive an Event of Default under the Indenture or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds then Outstanding;
- (f) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture or the Credit Facility, without the consent of the owners of all of the Bonds then Outstanding;
- (g) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds then Outstanding;
- (h) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds then Outstanding; or
- (i) the amendment of the provisions of the Indenture described under this heading, without the consent of the holders of all of the Bonds then Outstanding.

The Trustee shall promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Underwriter, the Tender Agent, the Loan Servicer and the Borrower. Notice of any amendment pursuant to the Indenture as described under this heading shall be given to the Bondholders promptly following the execution thereof.

## **No Bondholder Consent Required for Amendment to Loan Documents**

Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

## **Amendments to the Credit Facility**

The Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

(a) ***Replacement Credit Facility.*** At the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new Credit Facility (a “Replacement Credit Facility”) issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange shall not adversely affect the rating then in effect for the Bonds and (ii) a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes. No such exchange shall require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Indenture.

(b) ***Amendment of the Credit Facility.*** The Trustee may consent, without the consent of the owners of the Bonds, to any amendment of the Credit Facility not addressed in subsection (a) which does not prejudice in any material respect the interests of the Bondholders.

(c) ***Other Amendments of the Credit Facility.*** Except as described in subsections (a) and (b), the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of the owners of all Outstanding Bonds. No amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

## **Notice to and Consent of Bondholders**

If consent of the Bondholders is required for any supplement, amendment or modification to the Indenture or for any other similar purpose, the Trustee shall give notice of the proposed supplement, amendment or modification by first-class mail, postage prepaid, to the Bondholders. Such notice will be conclusively presumed to have been duly given and received when given in such manner, whether or not any holder actually receives the notice. Such notice shall briefly set forth the nature of the proposed supplement, amendment or modification, and shall state that copies of any such supplement, amendment or modification are on file at the Designated Office of the Trustee for inspection by the Bondholders. The consent of the holder of any Bond will be binding on any transferee and successor transferees of such Bond.

## **Required Approvals**

Subject to the provisions of the Indenture described in this Exhibit B under the heading “Limitations on Rights of Credit Provider,” no amendment, supplement or modification may be made to any Transaction Document without the prior written consent of the Credit Provider. Anything in the Indenture to the contrary notwithstanding, a supplement or amendment or other document which materially and adversely affects any rights or obligations of the Borrower will not become effective unless and until the Borrower (if the Borrower is not then in default under any Bond Document or any Loan Document and if no event which, with notice or the passage of time or both, would constitute such a default has occurred and is continuing) has consented in writing to the execution of such supplemental indenture, amendment or other document. The Trustee shall not be required to enter into any supplement or amendment which adversely effects the Trustee’s rights and duties under the Indenture.

## **Opinions of Counsel**

Subject to the provisions of the Indenture, the Trustee may obtain and will be fully protected in relying upon an Opinion of Counsel as conclusive evidence that any supplement or amendment to the Indenture is authorized and permitted by the Indenture and, if applicable, is not materially adverse to the interests of the Bondholders. No supplement or amendment with respect to the Indenture will be effective until the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that such supplement or amendment will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.



## **EXHIBIT C**

### **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT**

*The following is a brief summary of certain provisions of the Financing Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Financing Agreement, a copy of which is on file with the Trustee.*

#### **Loan**

The Loan is evidenced by, payable in accordance with, and bears interest at the rates and on the terms provided in the Note and secured by the Security Instrument.

#### **Credit Facility**

The Borrower has agreed to cause credit enhancement for the Loan or the Bonds and liquidity support for the Bonds to be in effect in the amounts and during the periods as required by the Indenture. From time to time, the Borrower may arrange for the delivery to the Trustee of one or more Alternate Credit Facilities meeting the requirements of the Indenture in substitution for the Credit Facility then in effect.

#### **Payment of Fees, Costs and Expenses**

The Borrower has agreed to pay when due, without duplication, the fees, expenses and other sums specified in the Financing Agreement, including, but not limited to, the Issuer's Fee, the Trustee's acceptance fee, the Trustee's Annual Fee, the fees, costs and expenses of the Tender Agent, the fees, costs and expenses of the Underwriter, the annual or other periodic fees of the Rebate Analyst and the annual rating maintenance fee of each Rating Agency. The Borrower has agreed to timely honor any demand for payment by the Trustee pursuant to the Indenture on account of any insufficiency in the Fees Account.

#### **Borrower's Obligations Upon Tender of Bonds**

If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower will cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued to the Tender Date.

#### **Obligation of the Borrower To Pay Deficiencies**

The Borrower shall pay any deficiency resulting from any loss due to a default under any investment in any Fund or Account or a change in value of any investment.

#### **Obligations of the Borrower Unconditional**

To the fullest extent permitted by law, the obligations of the Borrower to make all payments and perform its other obligations under the Financing Agreement shall be absolute, unconditional and irrevocable, shall be paid and performed strictly in accordance with the applicable Transaction Documents under all circumstances, including, without limitation, the following circumstances: (i) any invalidity or unenforceability of the Credit Facility or any of the other Transaction Documents; (ii) any

amendment or waiver of, or any consent to departure from, the terms of the Credit Facility or any of the other Transaction Documents, any extension of time or other modification of the terms and conditions for any act to be performed in connection with the Credit Facility or any of the other Transaction Documents; (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer, the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer, the Underwriter or any other Person, whether in connection with any of the Transaction Documents, the Mortgaged Property, or any unrelated transaction; (iv) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of any of the Transaction Documents; (v) defect in title to the Mortgaged Property, any act or circumstance that may constitute failure of consideration, destruction of, damage to or condemnation of the Mortgaged Property, commercial frustration of purpose, or any change in the tax or other laws of the United States of America or of the State or any political subdivision of either; (vi) the breach by the Issuer, the Trustee, the Tender Agent, the Underwriter, the Credit Provider, the Loan Servicer or any other Person of any of its obligations under any Transaction Document; or (vii) any other circumstance, happening or omission whatsoever, whether or not similar to any of the foregoing.

### **Personal Liability of Borrower**

Except as described in the last sentence under this heading, the obligations of the Borrower under the Financing Agreement and the obligations of the Borrower under the Regulatory Agreement to pay money, including the obligations of the Borrower with respect to the Reserved Rights, shall be (i) general obligations of the Borrower with recourse to the Borrower personally and (ii) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents. Nothing described under this heading shall apply to the obligations of the Borrower under any of the Loan Documents.

### **Certain Obligations Personal to the Borrower**

No subsequent owner of the Mortgaged Property (including the Credit Provider as a result of a foreclosure, a deed in lieu of foreclosure or comparable conversion of the Loan) shall be liable for any breach or default of any obligation of any prior owner under the Regulatory Agreement or the Financing Agreement, including any payment or indemnification obligation. The owner of the Mortgaged Property at the time any default or breach occurs shall remain liable for any and all damages occasioned by such default or breach even after such Person ceases to be the owner. Upon seeking to collect such damages, neither the Issuer nor the Trustee shall have recourse against or the right to levy against or otherwise collect on any judgment from the Mortgaged Property.

### **Indemnification**

The Borrower releases the Issuer, the Trustee, the Tender Agent and their respective officers, directors, agents, officials, employees (and, as to the Issuer, members of its governing body) and any person who controls the Issuer, the Trustee or the Tender Agent within the meaning of the Securities Act of 1933, from, and covenants and agrees to indemnify, hold harmless and defend the Issuer, the Trustee, the Tender Agent and their respective officers, directors, employees, agents, members of its governing body, officials and any person who controls such party within the meaning of the Securities Act of 1933 and employees and each of them (each an "Indemnified Party") from and against, any and all losses, claims, damages, liabilities and expenses (including attorneys' fees and expenses), taxes, causes of action, suits and judgments of any nature, joint or several, by or on behalf of any person arising out of:

- (a) the approval of financing for the Mortgaged Property or the making of Loan;

(b) the issuance and sale, resale or remarketing of any Bond or any certifications or representations made by any person other than the party seeking indemnification in connection therewith, including, but not limited to, any (i) statement or information made by the Borrower with respect to the Borrower or the Mortgaged Property in any offering document or materials regarding the Bonds, the Mortgaged Property or the Borrower or in the Tax Certificate of the Borrower or in any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect, (ii) untrue statement or alleged untrue statement of a material fact relating to the Borrower or the Mortgaged Property contained in any offering material relating to the sale of the Bonds, as from time to time amended or supplemented, or arising out of or based upon the omission or alleged omission to state in such offering material a material fact relating to the Borrower or the Mortgaged Property required to be stated in such offering material or necessary in order to make the statements in such offering material not misleading, (iii) failure to properly register or otherwise qualify the sale of the Bonds or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bonds could be sold;

(c) the interpretation, performance, enforcement, breach, default or amendment of the Bond Documents, the Loan Documents or any other documents relating to the Mortgaged Property or the Bonds or in connection with any federal or state tax audit, or any questions or other matters arising under such documents;

(d) the Borrower's failure to comply with any requirement of the Financing Agreement or the Regulatory Agreement;

(e) the condition of the Mortgaged Property (environmental or otherwise), including any violation of any law, ordinance, court order or regulation affecting the Mortgaged Property or any part of it;

(f) any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Mortgaged Property or arising out of any action or inaction of the Borrower or any of its agents, servants, employees or licensees, whether or not related to the Mortgaged Property, or resulting from the acquisition, construction, design, rehabilitation, repair, operation, use or management of all or any part of the Mortgaged Property;

(g) the Trustee's acceptance or administration of the trusts created by, and the exercise of its powers or duties under, the Indenture or under the Financing Agreement, the Regulatory Agreement, the Credit Facility or any other agreements in connection with such agreements to which it is a party; and

(h) to the extent not mentioned in any of the preceding subsections, any cause whatsoever in connection with the transactions provided for in the Financing Agreement and the other Transaction Documents or otherwise in connection with the Mortgaged Property, the Bonds or the execution or amendment of any document relating to the Bonds or the Mortgaged Property.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim, except (i) in the case of the foregoing indemnification of the Trustee or any of the Indemnified Parties, to the extent such damages are caused by the negligence or willful misconduct of such Person and (ii) in the case of the foregoing indemnification of the Issuer or any of the Indemnified Parties, to the extent such damages are caused by the willful misconduct of such Person.

## **Events of Default**

The occurrence of any one or more of the following events shall constitute an Event of Default under the Financing Agreement:

- (a) the Borrower fails to pay when due any amount payable by the Borrower under the Financing Agreement; and
- (b) the Borrower fails to observe or perform any covenant or obligation in the Financing Agreement on its part to be observed or performed for a period of 30 days after receipt of written notice from the Trustee specifying such failure and requesting that it be remedied; provided, however, that if the failure cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within 90 days of receipt of notice of such failure; or
- (c) the Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement shall constitute a default under the Financing Agreement unless specifically declared to be so by the Credit Provider. The Credit Provider shall make such declaration by written notice to the Trustee.

## **Remedies Upon an Event of Default**

Subject to the Assignment, whenever any Event of Default occurs and is continuing under the Financing Agreement, the Issuer may take one or any combination of the following remedial steps:

- (a) by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;
- (b) exercise any of the rights and remedies provided in the Loan Documents; and
- (c) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.

## **No Levy or Other Execution Against Mortgaged Property**

Neither the Issuer nor the Trustee shall have any right to levy, execute or enforce any judgment in respect of the Borrower's obligations under the Financing Agreement, including the Reserved Rights, against the Mortgaged Property or any other property of the Borrower which secures the obligations of the Borrower under the Loan or to the Credit Provider under any of the Credit Facility Documents.

## **Waiver and Annulment**

Unless the Credit Provider otherwise consents in writing, neither the Issuer nor the Trustee may waive or annul any Event of Default under the Financing Agreement unless (i) all amounts which would

then be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing are paid by or on behalf of the Borrower, and (ii) the Borrower also performs all other obligations in respect of which it is then in default under the Financing Agreement and pays the reasonable charges and expenses of the Issuer and the Trustee, including reasonable attorneys' fees and expenses paid or incurred in connection with such default. No waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent on such Event of Default.

### **Amendment**

No amendment to the Financing Agreement shall be binding upon the parties to the Financing Agreement until such amendment is reduced to writing and executed by such parties; provided, however, that no amendment, supplement or other modification to the Financing Agreement or any other Bond Document shall be effective without the prior written consent of the Credit Provider, subject to the provisions of Financing Agreement.

### **Limited Liability of the Issuer**

All obligations of the Issuer under the Financing Agreement, the Regulatory Agreement and the Indenture shall be limited obligations of the Issuer, payable solely and only from the Trust Estate. No owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the State or any political subdivision or other public body for the payment of the Bonds, nor to enforce the payment of the Bonds against any property of the State or any such political subdivision or other public body, including the Issuer except as provided in the Indenture. No member, officer, agent, employee or attorney of the Issuer, including any person executing the Financing Agreement on behalf of the Issuer, shall be liable personally under the Financing Agreement. No recourse shall be had for the payment of the principal of or the interest on the Bonds, for any claim based on or in respect of the Bonds or based on or in respect of the Financing Agreement, against any member, officer, employee or agent, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of the Financing Agreement and as part of the consideration for the issuance of the Bonds, expressly waived and released.

### **Term of the Financing Agreement**

The Financing Agreement shall be in full force and effect from its date to and including such date as all of the Bonds are fully paid or retired (or provision for such payment shall have been made as provided in the Indenture); provided, however, that certain provisions of the Financing Agreement specified in the Financing Agreement shall survive the termination of the Financing Agreement.

## EXHIBIT D

### SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

*The following summary of the Regulatory Agreement is a summary only and does not purport to be a complete statement of the contents thereof. Reference is made to the Regulatory Agreement for the complete terms thereof.*

#### Definitions

“*Adjusted Income*” means the adjusted income of a Tenant, as calculated in the manner prescribed in Treasury Regulation Section 1.167(k)-3(b)(3).

“*Affordable Rent*” or “*Rents*” means with respect to Lower-Income Tenants: (a) for a two-bedroom unit, 1/12 of 30% of 80% of the gross Median Income for the Area for a family of four as annually published by HUD; provided, however, (b) that when the report submitted by the Borrower pursuant to the Regulatory Agreement shows a 1.25 to 1.0 debt service coverage ratio for the referenced period, the Issuer shall so advise the Borrower by written notice, with copies thereof to the Trustee, and thereafter, the maximum monthly rent for 40% of the Low or Moderate Income Units which can be charged will be computed as set forth above; provided further, however, (c) that with respect to the additional 20% of the Low or Moderate Income Units discussed in the preceding clause (b), such conditions applicable to such units shall be met to the extent units are available, and on a priority basis as units become available; provided additionally, (d) the initial changes to the rents for the additional 20% of Low or Moderate Income Units provided for in subparagraph (b) shall not cause the debt service coverage ratio to be less than 1.25 to 1.0, and to the extent that such changes to Low or Moderate Income Units provided for in subparagraph (b) cause or would cause the debt service coverage ratio to be less than 1.25 to 1.0, then the Issuer agrees that the Borrower, provided a report supporting its action is provided to the Issuer, will be permitted to determine affordable rents and the number of Low or Moderate Income Units that are required to produce at least a 1.25 to 1.0 debt service coverage ratio.

“*Area*” means the San Bernardino-Riverside-Ontario, California Primary Metropolitan Statistical Area.

“*Housing Act*” means the United States Housing Act of 1937, as amended, or its successor.

“*Income Certification*” means a Verification of Income and an Occupancy Certificate in the forms attached as Exhibit B to the Regulatory Agreement or in such other form as may be provided by the Issuer to the Borrower.

“*Low or Moderate Income Tenant*” means any Tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as low or moderate income shall be 80% of median gross income for the Area, the method of determining low or moderate income to be the method in effect on the date of issuance of the Bonds. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the 1954 Code) no one of whom is entitled to file a joint return under Section 6013 of the 1954 Code, such occupants shall not qualify as Low or Moderate Income Tenants. The determination of a Tenant’s status as a Low or Moderate Income Tenant shall be made upon initial occupancy of a unit in the Project by such Tenant on the basis of an Income Certification executed by the Tenant.

*“Low or Moderate Income Units”* means the units in the respective Project required to be rented to, or held available for occupancy by, Low or Moderate Income Tenants pursuant to the respective Regulatory Agreement.

*“Qualified Project Period”* means the period beginning on the later of the date of issuance of the Bonds or the first day on which at least 10% of the units in the Project are first occupied, and ending on the later of the following:

- (a) the date which is 10 years after the date on which at least 50% of the units in the Project are first occupied;
- (b) the date which is a “qualified number of days” (i.e., 50% of the total number of days from the date of issuance of the 1983 Bonds to and including the Maturity Date) after the date on which any of the units in the Project are first occupied; or
- (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

*“Related Person”* of a person shall mean a person with a relationship to such person such that (i) the relationship between such persons would result in a disallowance of losses under Section 267 or 707(b) of the 1986 Code or (ii) such persons are members of the same controlled group of corporations (as defined in Section 1563(a) of the 1986 Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein).

*“Required Rental Period”* means, for each unit in the Project, the period beginning when such unit is first available for occupancy and continuing for the longer of the Qualified Project Period or the remaining term of the Bonds attributed to that Project.

*“Tenant”* means, at any time of determination thereof, all persons who together occupy a single residential unit in the Project, and upon the occupancy of a unit by any individual in addition to the previous Tenant of such unit, such unit shall be deemed to be occupied by a new Tenant.

*“Verification of Income”* means a verification of income in the form attached as an exhibit to the Regulatory Agreement or in such other form as may be provided by the Issuer to the Borrower.

## **Representations, Covenants and Warranties of the Borrower**

The Issuer and the Borrower have declared to the Regulatory Agreement their understanding and intent that the Project is to be owned, managed and operated, for so long as any Bonds remain outstanding under the Indenture, but in any event at least for the Qualified Project Period, as “residential rental property” as such phrase is utilized in Section 103(b)(4)(A) of the Internal Revenue Code of 1944, as amended (the “1954 Code”). To that end, the Borrower represented, covenanted, warranted and agreed in the Regulatory Agreement, with respect to the Project, as follows:

- (a) For the Required Rental Period the Borrower will maintain the Project as a “residential rental property” (within the meaning of Section 103(b)(4)(A) of the 1954 Code) consisting of one or more buildings, together with any functionally related and subordinate facilities, containing one or more similarly constructed units which are used on other than a transient basis, which meet the other requirements set forth in the Regulatory Agreement and which are available to members of the general public. For purposes of this paragraph (a), the

term “functionally related and subordinate facilities” includes facilities for use by the tenants (for example, swimming pools, other recreational facilities, parking areas) and other facilities which are reasonably required for the Project (for example, heating and cooling equipment, trash disposal equipment and units for resident managers and maintenance personnel). Substantially all of the Project will contain such units and functionally related and subordinate facilities. The Project will not be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court for use on a transient basis.

(b) If the Project consists of multiple buildings, it has similarly constructed units, is owned for federal income tax purposes by the Borrower, is located on a single tract of land and is financed pursuant to a common plan. For purposes of this paragraph (b), the term “tract” means any parcel or parcels of land which are contiguous (i.e., whose boundaries meet at one or more points) except for the interposition of any road, street, stream or similar property. A common plan of financing exists if, for example, all such buildings are provided by the same issue or several issues subject to a common indenture.

(c) The Project does not include any building or structure which contains fewer than five units, one unit of which is occupied by an owner of units.

(d) In accordance with the Act and the Code, throughout the entire Qualified Project Period, at least 20% of the total number of completed Units in the Project will be leased or rented, or vacant and available for immediate lease or rental, to Low or Moderate Income Tenants at Affordable Rents. For purposes of this paragraph (d), (i) a vacant unit which was most recently occupied by a Low or Moderate Income Tenant is treated as rented to and occupied by a Low or Moderate Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined; and (ii) a unit occupied by a Tenant who at the commencement of the occupancy qualifies as a Low or Moderate Income Tenant is treated as occupied by a Low or Moderate Income Tenant so long as such Tenant resides in such unit, even if such Tenant subsequently ceases to so qualify.

(e) For the Required Rental Period, once available for occupancy, each Unit in the Project must be rented or held available for rental, on a first-come, first-served basis, to members of the general public on a continuous basis and may not be converted to condominium, owner-occupied or other nonrental use (except that the Borrower may obtain final map approval and the final Subdivision Public Report from the California Department of Real Estate) without an Opinion of Bond Counsel that such act will not subject interest on the Bonds to federal income taxes.

(f) For the Qualified Project Period, the Borrower will submit to the Administrator on behalf of the Issuer, (i) at the time of initial occupancy of any Low or Moderate Income Tenant, (ii) upon the vacancy and reoccupancy of any Low or Moderate Income Unit, and (iii) as often as necessary to comply with the requirements of Section 103 of the 1954 Code and the Act, an Income Certification which shall be subject to independent investigation and verification by the Issuer. The Borrower shall use its best efforts to verify the information set forth in any Verification of Income submitted by each Low or Moderate Income Tenant at the time of submission of such certification. After the Project is available for occupancy and until at least 20% of the total number of units to be included in the Project are rented to and occupied by Low and Moderate Income Tenants, the Borrower shall, on or before the fifth day of each month, file with the Administrator on behalf of the Issuer and with the Trustee a Certificate of Continuing Program Compliance, in the form provided by the Issuer, setting forth for the prior month the information required to be provided in such certification. After at least 20% of the total number



of units to be included in the Project are rented to and occupied by Low and Moderate Income Tenants and during the Qualified Project Period, such certification shall be filed on or before the fifteenth day of each calendar quarter (except that such report shall be filed monthly if the Borrower is in default under this Agreement) and shall set forth the required information for the preceding calendar quarter. The Borrower also will prepare and submit to the Issuer, in form and substance satisfactory to the Issuer, within 30 days after July 1 of each year (i) a report summarizing the vacancy rate of the Project on a month-to-month basis for the prior 12 months and (ii) a report of the cash flow for the Project for the prior 12 months.

### **Additional Requirements of the Issuer**

In addition to the foregoing requirements established by federal tax law, the Issuer has also required that additional restrictions be placed on the Project. To satisfy these additional requirements, the Borrower has covenanted, warranted and agreed in the Regulatory Agreement as follows:

(a) For the Qualified Project Period, the rent charged for any Low or Moderate Income Unit shall be increased no more often than once every six months on not less than 60 days' notice to the tenants affected by such increase and shall be no more than the Affordable Rent for such unit.

(b) The Borrower will not, during the Required Rental Period, discriminate on the basis of race, creed, color, sex, marital status, religion, national origin, age or receipt of governmental payments (e.g., AFDC or SSI) as income in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project.

Any of the foregoing requirements of the Issuer may be expressly waived by the Issuer in writing, but (i) no waiver by the Issuer of any requirement shall, or shall be deemed to, extend to or affect any other provision of the Regulatory Agreement, including particularly, but without limitation, the provisions described above under "Representations, Covenants and Warranties of the Borrower," except to the extent the Issuer has received an Opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this section will be void and of no force and effect if the Issuer and the Borrower receive a written Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to become includable in gross income for federal income tax purposes if such opinion is accompanied by a copy of a ruling from the Internal Revenue Service to the same effect, or to the effect that compliance with such requirement would be in conflict with the Act.

### **Enforcement**

The benefits of the Regulatory Agreement will inure to, and may be enforced by, respectively, the Issuer, the Trustee and their successors, and, to the extent permitted by the Indenture, the owners of the Bonds and the successors and assigns of any of the foregoing, for the Required Rental Period, whether or not the Loan may be paid in full, and whether or not the Bonds are Outstanding. Notwithstanding the foregoing, the Regulatory Agreement, other than the next sentence in this section, will cease to apply to and be of no further force or effect with respect to the Project in the event of involuntary noncompliance by the Borrower caused by a fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency which prevents the Issuer from enforcing the requirements described above under "Representations, Covenants and Warranties of the Borrower," or condemnation or similar event, but only if, within a reasonable period, either the Bonds are

retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of Section 103 of the 1954 Code and described above under “Representations, Covenants and Warranties of the Borrower.” The provisions of the preceding sentence shall cease to apply and the provisions of the Regulatory Agreement are reinstated if, at any time during that part of the Required Rental Period subsequent to the termination of the Regulatory Agreement as a result of a foreclosure (including without limitation to the foreclosure of the Deed of Trust), a deed in lieu of foreclosure or a similar event, the Borrower obtains an ownership interest in the Project for federal income tax purposes. The Borrower agrees in the Regulatory Agreement that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any Related Person will obtain an ownership interest in the Project for federal income tax purposes. In the Regulatory Agreement, it is understood by the parties thereto that the Trustee shall have no obligation to monitor compliance by the Borrower with the requirements of the Regulatory Agreement. In determining whether any default or lack of compliance by the Borrower exists under the Regulatory Agreement, the Trustee will not be required to conduct any investigation or review of operations by the Borrower and may rely solely upon any notice delivered to the Trustee by the Borrower, the Issuer, the Administrator or the Servicer with respect to the occurrence or absence of a default.

### **Default; Remedies**

If the Borrower fails to observe or perform any covenant, condition or agreement contained in the Regulatory Agreement on its part to observed or performed, then, and in such event, the Issuer, the Trustee and, to the extent permitted by the Indenture, any owner of a Bond will be entitled, individually or collectively, and in addition to all other remedies provided by law or in equity:

(a) to compel specific performance by the Borrower of its obligations under the Regulatory Agreement, it being recognized in the Regulatory Agreement that the beneficiaries of the Borrower’s obligations thereunder cannot be adequately compensated by monetary damages in the event of the Borrower’s default; and

(b) to cause the Borrower to pay to the Issuer the amount of rent received by the Borrower that exceeds Affordable Rent with respect to Low or Moderate Income Units, if such units are knowingly or negligently rented to persons who do not comply with the requirements of such units.

In addition to these remedies, a default by the Borrower under the Regulatory Agreement which in the written Opinion of Bond Counsel would result in interest on the Bonds becoming includable in gross income of a holder of the Bonds for federal income tax purposes if the Bonds remain Outstanding will enable the Trustee to accelerate the Loan and to redeem the Bonds. So long as the Regulatory Agreement remains in effect, the Borrower will not permit any amendment to the provisions of the Deed of Trust which provide that a default under the Regulatory Agreement constitutes a default under the Deed of Trust, with the effect set forth in the preceding sentence.

The Issuer and the Trustee will have the right to enforce the obligations of the Borrower under the Regulatory Agreement within shorter periods of time than are otherwise required thereby if necessary to ensure compliance with the Act or with Section 103(b)(4)(A) of the 1954 Code.

Notwithstanding anything contained in the Regulatory Agreement to the contrary, the occurrence of an event of default under the Regulatory Agreement will not be deemed, under any circumstances whatsoever, to be a default under the Mortgage Loan Documents except as specified in the Mortgage Loan Documents. In the Regulatory Agreement, the parties thereto agree that the maturity date of the Mortgage Loan may be accelerated solely by the holder thereof upon the occurrence of a default on the

part of the Borrower under the Mortgage Loan Documents which is not cured during any applicable grace period in accordance with their respective terms and for no other reason.

### **Fannie Mae Rider**

The Fannie Mae Rider to Regulatory Agreement, dated as of the date of the Indenture (the “Fannie Mae Rider”), among the Issuer, the Trustee and the Borrower, amends and supplements the Regulatory Agreement. In the event any provision of the Fannie Mae Rider conflicts with the Regulatory Agreement, the Fannie Mae Rider shall supersede the conflicting provision of the Regulatory Agreement. The Fannie Mae Rider shall apply in spite of the fact that the covenants, reservations and restrictions of the Regulatory Agreement run with the land and may be deemed applicable to any successor in interest to the Borrower.

***Obligations not Secured by the Project.*** The Regulatory Agreement shall not constitute a mortgage, equitable mortgage, deed of trust, deed to secure debt or other lien or security interest in the Project. The obligations of the Borrower or any subsequent owner of the Project under the Regulatory Agreement shall be secured by a lien on, or security interest in, the Project. All such obligations are expressly intended to be and shall remain unsecured obligations. The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

***Subordination.*** The terms, covenants and restrictions of the Regulatory Agreement, other than those described under the headings [“Representations, Covenants and Warranties of the Owner” (the “Excluded Provisions”), are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Loan Documents. Upon a conveyance or other transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan, the Person who acquires title to the Project pursuant to such foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan (unless such Person is the Borrower or a Person related to the Borrower within the meaning of Section 1.103-10(e) of the Regulations, in which event the Regulatory Agreement shall remain in full force and effect in its entirety) shall acquire such title free and clear of the terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in the Excluded Provisions and, from and after the date on which such Person acquires title to the Project, the terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in the Excluded Provisions, shall automatically terminate and be of no force and effect; provided that the Excluded Provisions shall also terminate and be of no force or effect under the circumstances described under the heading “Enforcement” above.

***Obligations Personal.*** The Issuer has agreed that no owner of the Project (including Fannie Mae) subsequent to the Borrower will be liable for, assume or take title to the Project subject to:

- (a) any failure of any prior owner of the Project to perform or observe any representation or warranty, affirmative or negative covenant or other agreement or undertaking under the Regulatory Agreement; and
- (b) the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by any prior owner of the Project under the Regulatory Agreement.

The Borrower and each subsequent owner of the Project shall be responsible under the Regulatory Agreement for its own acts and omissions occurring during the period of its ownership of the Project. All such liability and obligations shall be and remain personal to such person even after such person ceases to be the owner of the Project.

***Sale or Transfer.***

(a) ***Restrictions Not Applicable to Certain Transfers.*** All provisions of the Regulatory Agreement regarding the sale or transfer of the Project or of any interest in the Borrower, including any requirement, limitation or condition precedent for any of (i) the consent of the Issuer or the Trustee to such transfer, (ii) an agreement by any transferee to abide by the requirements and restrictions of the Regulatory Agreement, (iii) transferee criteria or other similar requirements, (iv) an opinion of legal counsel and (v) the payment of any assumption fee, transfer fee, penalty or other charges, shall not apply to any of the following:

(i) any transfer of title to the Project to Fannie Mae or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of any lien on the Project or to any subsequent transfer by Fannie Mae (or a third party) following such foreclosure, deed in lieu of foreclosure or comparable conversion;

(ii) any execution and delivery of a mortgage, deed of trust, deed to secure debt or other lien by the Borrower to secure any additional indebtedness of the Borrower which is originated by a lender for sale to Fannie Mae or guaranteed or otherwise credit enhanced by Fannie Mae; and

(iii) provided that no Bonds are then Outstanding or all Bonds are to be simultaneously fully paid, redeemed or defeased, any execution and delivery of a mortgage, deed of trust, deed to secure debt or other lien by the Borrower to secure any indebtedness incurred by the Borrower which effectively refinances the Loan.

(b) ***Fannie Mae Rights to Consent Not Impaired.*** Nothing contained in the Regulatory Agreement shall affect any provision of the Security Instrument or any of the other Credit Facility Documents or Loan Documents which requires the Borrower to obtain the consent of Fannie Mae as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Security Instrument.

(c) ***Conclusive Evidence.*** Any written consent to a sale or transfer obtained from the Issuer shall constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions of the Regulatory Agreement.

***Damage, Destruction or Condemnation of the Project.*** In the event that the Project is damaged or destroyed or title to the property, or any part thereof, is taken through the exercise or the threat of the exercise of the power of eminent domain, the Borrower shall comply with all applicable requirements of the Security Instrument and the other Loan Documents.

***Regulatory Agreement Default.*** Notwithstanding anything contained in the Regulatory Agreement to the contrary:

(a) The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

(b) The occurrence of an event of default under the Regulatory Agreement shall not be or be deemed to be a default under the Loan Documents, except as may be otherwise specified in the Loan Documents.

(c) Upon any default by the Borrower under the Regulatory Agreement, the Assignment shall govern the remedies and other actions which the Issuer may take on account of such default.

**Amendments.** Unless the Assigned Rights (as that term is defined in the Assignment) are transferred to the Trustee pursuant to the Assignment, the Issuer shall not consent to any amendment, supplement to, or restatement of the Regulatory Agreement without the prior written consent of Fannie Mae.

**Termination.** The Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee, the Credit Provider and the Borrower upon receipt of an opinion of a nationally recognized bond counsel acceptable to the Trustee that such termination will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income purposes. So long as the Bonds have been redeemed or are redeemed within a reasonable period thereafter, the Regulatory Agreement shall terminate and be of no further force or effect from and after the date of any transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of any lien on the Project; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Regulatory Agreement shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes.

**Third-Party Beneficiary.** The parties to the Regulatory Agreement have recognized and agreed that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Fannie Mae and are entered into for the benefit of various parties, including Fannie Mae. Fannie Mae shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, the Borrower and the Issuer intend that Fannie Mae be a third-party beneficiary of the Regulatory Agreement.

## **EXHIBIT E**

### **SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT**

*The following statements are a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete, and reference is made to the Reimbursement Agreement for a full and complete statement of the provisions thereof. Capitalized terms used in this Exhibit and not otherwise defined will have the meanings given them in the Reimbursement Agreement.*

The Credit Facility is issued pursuant to the Reimbursement Agreement. The Reimbursement Agreement obligates the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses, in each case as provided in the Reimbursement Agreement.

The Reimbursement Agreement sets forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants in the Financing Agreement.

#### **Definitions**

Defined terms used in this Exhibit E which are not defined in this Official Statement shall have the meanings assigned thereto in the Reimbursement Agreement.

#### **Events of Default**

The occurrence of any one or more of the following events shall constitute an Event of Default under the Reimbursement Agreement:

- (a) the Borrower fails to pay when due any amount payable by the Borrower under the Reimbursement Agreement, the Note, the Financing Agreement, the Security Instrument or any other Transaction Document; or
- (b) the occurrence of any Event of Default under any Transaction Document other than the Reimbursement Agreement beyond any cure period set forth in that Transaction Document; or
- (c) fraud or material misrepresentation or material omission by Borrower, or any of its officers, directors, trustees, general partners or managers, Key Principal or any guarantor:
  - (i) contained in the Reimbursement Agreement, the Certificate of Borrower or any other Borrower Document or any certificate delivered by the Borrower to Fannie Mae or to the Loan Servicer pursuant to the Reimbursement Agreement or any other Borrower Document; or
  - (ii) in connection with (i) the application for or creation of the Loan or the credit enhancement or liquidity for the Bonds provided by the Credit Enhancement Instrument, (ii) any financial statement, rent roll, or other report or information provided to Fannie Mae or the Loan Servicer during the term of the Reimbursement Agreement or

the Loan, or (iii) any request for Fannie Mae's consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement; or

(d) a Tax Event (as that term is defined in the Indenture) occurs; or

(e) any failure by the Borrower to perform or observe any of its obligations under the Reimbursement Agreement (other than as described in paragraphs (a) through (d) above), as and when required, which continues for a period of 30 days after notice of such failure by Fannie Mae or the Loan Servicer to the Borrower, but no such notice or grace period shall apply in the case of any such failure which could, in Fannie Mae's or the Loan Servicer's judgment, absent immediate exercise by Fannie Mae of a right or remedy under the Reimbursement Agreement, result in harm to Fannie Mae, impairment of the Note, the Reimbursement Agreement, the Security Instrument or any other security given under any other Transaction Document; or

(f) the Borrower fails to pay when due or within any applicable grace period any amount payable by the Borrower under any Hedging Arrangement, or the occurrence of any other default or event of default, however described, by the Borrower under any Hedging Arrangement; or

(g) an "Event of Default" shall exist with respect to the certain Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing executed by Borrower for the benefit of Capri Capital Finance, LLC (the "Subordinate Mortgage"), or that certain Multifamily Note dated March 26, 2004 in the original principal amount of \$11,000,000 executed by the Borrower and payable to the order of Capri Capital Finance, LLC.

## **Remedies**

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Obligations and all amounts owing under the Reimbursement Agreement may be declared by Fannie Mae to become immediately due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition, Fannie Mae shall have the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Fannie Mae against the Borrower and/or in and to the Mortgaged Property, including, but not limited to, any one or more or all of the following actions:

(i) deliver to the Trustee written notice that an Event of Default has occurred under the Reimbursement Agreement and direct the Trustee to take such action pursuant to the Transaction Documents as Fannie Mae may determine, including a request that the Trustee declare the principal of all or a portion of the Bonds then outstanding and the interest accrued thereon to be immediately due and payable in accordance with the terms and conditions of the Indenture;

(ii) demand cash collateral or Permitted Investments in an amount equal to the maximum liability of Fannie Mae under the Credit Enhancement Instrument, whether or not then due and payable by Fannie Mae; and

(iii) exercise any rights and remedies available to Fannie Mae under the Transaction Documents.

Fannie Mae shall have the right, in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so

waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

Unless otherwise expressly provided, no remedy conferred upon or reserved in the Reimbursement Agreement is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Transaction Documents or existing at law or in equity. No delay or omission to exercise any right or power accruing under any Transaction Document upon the happening of any Event of Default set forth in the Reimbursement Agreement shall impair any such right or power or shall be construed to be a waiver of such event, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Fannie Mae to exercise any remedy reserved to Fannie Mae by the terms of the Reimbursement Agreement, it shall not be necessary to give any notice, other than such notice as may be required under the applicable provisions of any of the other Transaction Documents. The rights and remedies of Fannie Mae specified in the Reimbursement Agreement are for the sole and exclusive benefit, use and protection of Fannie Mae, and Fannie Mae is entitled, but shall have no duty or obligation to the Borrower, the Trustee, the Bondholders or otherwise, (a) to exercise or to refrain from exercising any right or remedy reserved to Fannie Mae hereunder, or (b) to cause the Trustee or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Transaction Documents.

### **Amendments**

The Reimbursement Agreement may be amended, supplemented, restated or terminated only by a written instrument or written instruments signed by the parties to the Reimbursement Agreement. No course of dealing between the Borrower and Fannie Mae, nor any delay in exercising any rights thereunder, shall operate as a waiver of any rights of Fannie Mae thereunder. Unless otherwise specified in such waiver or consent, a waiver or consent given thereunder shall be effective only in the specific instance and for the specific purpose for which given.



**EXHIBIT F**  
**SUMMARY OF CERTAIN PROVISIONS**  
**OF THE NOTE**

The following is a brief summary of certain provisions of the Note. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Note, a copy of which is on file with the Trustee.

**Evidences Loan**

The Note evidences the Loan.

**Note Interest**

Except as provided in the Note, interest (“Note Interest”) will accrue on the unpaid principal of the Note from, and including, the Closing Date until paid in full at an annual rate effective for so long as the interest rate on the Bonds is a Weekly Variable Rate, a variable rate of interest which floats and changes with, and is equal to, the Weekly Variable Rate.

Note Interest will automatically and simultaneously change with each corresponding change in the interest rate on the Bonds under the Indenture. Notwithstanding any other provision of the Note to the contrary, Note Interest will not exceed the Maximum Rate, as the Maximum Rate may change in accordance with the Indenture. During the Weekly Variable Rate Period, Note Interest will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable.

**Payment of Principal and Interest**

The Borrower agrees to pay the principal of and interest on the Note as follows:

(a) The primary obligation of the Borrower under the Note is to pay principal of, premium, if any, and interest on the Note at the times and in the amounts necessary to pay all principal of, premium, if any, and interest on, the Bonds as they become due, whether at maturity, by acceleration, by optional, mandatory or mandatory sinking fund redemption or otherwise. The Borrower shall make its payments under the Note in Available Moneys if and to the extent that the Indenture, the Financing Agreement or the Note requires such amount to be available to the Trustee in Available Moneys. In the event of any deficiency in the funds available under the Indenture for payment of the principal of, premium, if any, or interest on the Bonds when due, the Borrower shall immediately pay the amount of the deficiency to the Trustee upon notice of the deficiency from the Issuer, the Loan Servicer or the Trustee. The Borrower shall be obligated to pay the deficiency regardless of the reason for the deficiency, including any deficiency resulting from any shortfall in payments made or to be made by the Borrower under the Note, any loss due to a default under any Investment, a change in value of any Investment or otherwise.

(b) Subject to subparagraph (a), the Borrower shall pay Note Interest in arrears, beginning on the first Note Interest Payment Date.

(c) Subject to subparagraph (a), the Borrower shall pay all unpaid principal of and interest on the Note on the earlier of the Maturity Date of the Bonds or the date on which the unpaid principal balance of the Note becomes due, whether by acceleration or otherwise

("Maturity Date"). Any principal of the Note not paid on the Maturity Date shall continue to bear interest from the Maturity Date, at the Default Rate, from and including the Maturity Date to, but excluding, the date on which such amounts are paid in full.

(d) For the purpose of calculating the amount of Note Interest due under the Note, any regularly scheduled installment of principal of or Note Interest on the Note that is received by the Issuer before the date it is due shall be deemed to have been received on the due date. Nothing in this subparagraph shall apply to a prepayment of the Note pursuant to the Note.

(e) No Advance by the Credit Provider under the Credit Facility shall be treated as a credit against, or otherwise relieve the Borrower from its obligation to pay, the principal of and interest on the Note when due.

(f) The obligations of the Borrower to make the payments required by and perform its other obligations under the Note shall be absolute and unconditional and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise.

(g) If prior to full payment of the Bonds (or provision for the full payment of the Bonds in accordance with the provisions of the Indenture) the Mortgaged Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, all or any portion of the Mortgaged Property shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Borrower shall nevertheless be obligated to continue to pay the amounts specified in the Note to the extent the principal of the Note is not prepaid.

### **Principal Reserve Fund**

The Reimbursement Agreement requires the Borrower to make monthly payments for deposit into the Principal Reserve Fund, to be applied by the Trustee in any manner directed by the Credit Provider pursuant to the Indenture. The Loan shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Principal Reserve Fund and the amount on deposit in the Principal Reserve Fund shall not be a credit against the principal amount of the Note, provided that if any amount in the Principal Reserve Fund is withdrawn from the Principal Reserve Fund and applied to the payment of the principal of any of the Bonds, the principal component of the redemption price of any of the Bonds or the principal component of the amount set aside to defease any of the Bonds, all as provided in the Indenture, the amount so applied shall be simultaneously credited to the principal amount of the Note. To the extent that any amount is withdrawn from the Principal Reserve Fund to make a payment of interest due on the Bonds (excluding the interest component of the purchase price of any Pledged Bond unless such purchase occurs on an Interest Payment Date for the Bonds), the amount so withdrawn shall be a payment of interest on the Loan. No application of any amount in the Principal Reserve Fund for any other purpose (including any withdrawal relating to the principal component of the purchase price of any Pledged Bonds) shall be credited against the unpaid principal of or interest on the Note.

### **Application of Payments**

If at any time the Issuer receives, from the Borrower or otherwise, any amount applicable to the Note which is less than all amounts due and payable at such time, the Issuer may apply that payment to amounts then due and payable in any manner and in any order determined by the Issuer, in the Issuer's discretion. The Borrower has agreed that neither the Issuer's acceptance of a payment from the Borrower in an amount that is less than all amounts then due and payable nor the Issuer's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord

and satisfaction. If the holder of the Note accepts a guaranty of only a portion of the amounts due under the Note, the Borrower has waived its rights under California Civil Code Section 2822(a) to designate the portion of the amount due under the Note which shall be satisfied by any guarantor's partial payment.

## **Security**

The Note is secured, among other things, by the Security Instrument, and reference is made to the Security Instrument for other rights of the Issuer concerning the collateral for the Note.

## **Acceleration**

If an Event of Default under the Security Instrument has occurred and is continuing, the entire unpaid principal balance, all accrued Note Interest, the prepayment premium payable under the Note, if any, and all other amounts payable under the Note or under any other Loan Document shall at once become due and payable, at the option of the Issuer, without any prior notice to the Borrower. The Issuer may exercise this option to accelerate regardless of any prior forbearance.

## **Limits on Personal Liability**

(a) Except as otherwise described under this heading or in any of the other Loan Documents, the Borrower shall have no personal liability under the Note, the Security Instrument or any other Loan Document for the repayment of the Note or for the performance of any other obligations of the Borrower under the Loan Documents, and the Issuer's only recourse for the satisfaction of the Note and the performance of such obligations shall be the Issuer's exercise of its rights and remedies with respect to the Mortgaged Property and any other collateral held by the Issuer as security for the Note. This limitation on the Borrower's liability shall not limit or impair the Issuer's enforcement of its rights against any guarantor of the Note or any guarantor of any other obligations of the Borrower.

(b) The Borrower shall be personally liable to the Issuer for the repayment of a portion of the Note equal to any loss or damage suffered by the Issuer as a result of (1) failure of the Borrower to pay to the Issuer upon demand after an Event of Default under the Security Instrument, all Rents to which the Issuer is entitled under the Security Instrument and the amount of all security deposits collected by the Borrower from tenants then in residence; (2) failure of the Borrower to apply all insurance proceeds and condemnation proceeds as required by the Security Instrument; (3) failure of the Borrower to comply with the provisions of the Security Instrument relating to the delivery of books and records, statements, schedules and reports; (4) fraud or written material misrepresentation by the Borrower, Key Principal or any officer, director, partner, member or employee of the Borrower in connection with the application for or creation of the Loan or any request for any action or consent by the Issuer; or (5) failure to apply Rents, first, to the payment of reasonable operating expenses (other than Property management fees that are not currently payable pursuant to the terms of an Assignment of Management Agreement or any other agreement with the Issuer executed in connection with the Loan) and then to amounts ("Debt Service Amounts") payable under the Note, the Security Instrument or any other Loan Document (except that the Borrower will not be personally liable (i) to the extent that the Borrower lacks the legal right to direct the disbursement of such sums because of a bankruptcy, receivership or similar judicial proceeding, or (ii) with respect to Rents that are distributed in any calendar year if the Borrower has paid all operating expenses and Debt Service Amounts for that calendar year).

(c) The Borrower shall become personally liable to the Issuer for the repayment of all of the principal of and interest on the Note and for the payment, performance and observation of all obligations, covenants and agreements of the Borrower contained in the Security Instrument, including the payment of all sums advanced by or on behalf of Issuer to protect the security of the Security Instrument under the

Security Instrument, upon the occurrence of any of the following: (1) the Borrower's acquisition of any property or operation of any business not permitted by the Security Instrument; or (2) a Transfer (as that term is defined in the Security Instrument) that is an Event of Default under the Security Instrument; or (3) a Bankruptcy Event. As used in this subparagraph, the term "Bankruptcy Event" means any one or more of the following events which occurs during any time that a Hedging Arrangement (other than a Hedge) is outstanding:

(1) The Borrower (i) commences a voluntary case (or, if applicable, a joint case) under any Chapter of the Bankruptcy Code, (ii) institutes (by petition, application, answer, consent or otherwise) any other bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, (iii) makes a general assignment for the benefit of creditors, (iv) applies for, consents to or acquiesces in the appointment of any receiver, liquidator, custodian, sequestrator, trustee or similar officer for it or for all or any substantial part of the Mortgaged Property or (v) admits in writing its inability to pay its debts generally as they mature.

(2) Any Key Principal or any Affiliate of a Key Principal files an involuntary petition against the Borrower under any Chapter of the Bankruptcy Code or under any other bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to the Borrower under the laws of any jurisdiction.

(3) Both (i) an involuntary petition under any Chapter of the Bankruptcy Code is filed against the Borrower or the Borrower directly or indirectly becomes the subject of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, or in equity, and (ii) the Borrower or any Affiliate of the Borrower has acted in concert or conspired with such creditors of the Borrower (other than the Issuer) to cause the filing thereof with the intent to interfere with enforcement rights of the Issuer after the occurrence of an Event of Default.

(d) To the extent that the Borrower has personal liability as described under this heading, the Issuer may exercise its rights against the Borrower personally without regard to whether the Issuer has exercised any rights against the Mortgaged Property or any other security, or pursued any rights against any guarantor, or pursued any other rights available to the Issuer under the Note, the Security Instrument, any other Loan Document or applicable law. If the Borrower is a married person, then the Borrower agrees that the holder of the Note may look to all of the Borrower's community property and separate property to satisfy Borrower's recourse obligations as described under this heading. For purposes of the provisions of the Note described under this heading, the term "Mortgaged Property" shall not include any funds that (1) have been applied by the Borrower as required or permitted by the Security Instrument prior to the occurrence of an Event of Default under the Security Instrument, or (2) the Borrower was unable to apply as required or permitted by the Security Instrument because of a bankruptcy, receivership, or similar judicial proceeding.

### **Voluntary and Mandatory Prepayments**

(a) Any prepayment of the principal of the Note must result in a redemption of a corresponding principal amount of the Bonds.

(b) No payment to be applied as a prepayment (whether voluntary or mandatory) of principal of the Note shall be credited against the unpaid principal of the Note until the date on which Bonds in a like amount are redeemed or defeased pursuant to the Indenture. Until the Borrower's payment is credited as a prepayment, the amount of the intended prepayment shall

continue to be unpaid principal of the Note and shall continue to bear interest to the date of prepayment.

(c) The Borrower may voluntarily prepay the Note on any Interest Payment Date for the Bonds within a Weekly Variable Rate Period in whole or in part. Any partial voluntary prepayment must be in an amount corresponding to the then applicable Authorized Denomination of the Bonds.

(d) The right of the Borrower to voluntarily prepay the principal of the Note, in whole or in part, as described in subparagraph (c) is subject to the satisfaction of the following conditions precedent:

(i) the Borrower has given written notice of such prepayment to the Issuer, the Trustee, the Credit Provider, the Loan Servicer and the Underwriter at least 30 days prior to the effective date of prepayment as described in subparagraph (b), which notice shall state the date of such prepayment and the amount of principal to be prepaid;

(ii) the Borrower has paid the amounts described in subparagraph (f) not later than one Business Day prior to the date under the Indenture the Trustee must have received such funds for such redemption; and

(iii) the Issuer, the Credit Provider, the Loan Servicer and the Underwriter are provided a certificate of the Trustee to the effect that the Trustee holds on deposit Available Moneys which are both sufficient and available under the terms of the Indenture for a payment of any bond redemption premium, and the Trustee holds on deposit moneys which are both sufficient and available under the terms of the Indenture to pay the costs and expenses required to be paid in connection with the redemption of the Bonds to be redeemed as a result of the prepayment under the Note.

(e) Each of the following shall be or require a mandatory prepayment of the principal of the Note:

(i) Any reduction and, therefore, amortization of the Loan by reason of the withdrawal of any amount from the Principal Reserve Fund and the application of such amount to the payment of, or the reimbursement to the Credit Provider for an Advance made to pay, the principal of any of the Bonds, the principal component of the redemption price of any of the Bonds or the principal component of the amount paid to defease any of the Bonds, all as provided in the Indenture, except for the payment of the principal of any Bond as such principal is scheduled to be paid.

(ii) Any application by the Issuer of any collateral or other security to the repayment of any principal of the Note to the extent of the principal amount of such repayment.

(iii) The Issuer's exercise of the right of acceleration of the Note to the extent of the outstanding principal amount of the Note.

(iv) Any acceleration or mandatory redemption of the Bonds to the extent of the principal amount of such Bonds.

(v) Any reduction and, therefore, amortization of the Loan by reason of the withdrawal of any amount from any Fund or Account under the Indenture, not described in clause (i), (ii), (iii) or (iv) above, resulting in a payment, redemption or defeasance of any of the Bonds, except to the extent that such funds are applied to:

(A) the payment of the principal of any Bond as such principal is scheduled to be paid; or

(B) a voluntary prepayment of the Note which causes a voluntary redemption of Bonds.

(f) The Borrower shall pay, or cause to be paid, all of the following amounts in connection with any prepayment of the Note (whether voluntary or mandatory):

(i) the principal of the Loan being prepaid;

(ii) interest on the principal of the Loan being prepaid to the effective date of prepayment as provided in subparagraph (b);

(iii) to the extent not covered by the amount required in clause (ii), interest payable on the Bonds to the Redemption Date;

(iv) the prepayment premium, if any, payable with respect to the prepayment of the Loan (the premium to be paid with Available Moneys); and

(v) to the extent not covered by the amount required in clause (4), the redemption premium, if any, payable with respect to the redemption of the Bonds (the premium to be paid with Available Moneys).

(g) Any partial prepayment of the principal of the Note shall not extend or postpone the due date of any subsequent monthly installments, if any, or change the amount of such installments, except as described in this subparagraph. The amount of subsequent monthly installments, if any, shall be reamortized with the consent of Issuer as necessary to correspond to the remaining payments due on the Bonds; provided, however, that the unpaid principal of and interest on the Note, all other obligations of the Borrower for the payment of money under the Note and all obligations of the Borrower for the payment of money under the Security Instrument shall be due and payable on the Maturity Date, if not sooner paid.

**EXHIBIT G**  
**PROPOSED FORM OF CREDIT FACILITY**